

**TOWN OF NEW LONDON,  
NEW HAMPSHIRE**

**ANNUAL FINANCIAL REPORT**

**AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2016**

**TOWN OF NEW LONDON, NEW HAMPSHIRE**  
**ANNUAL FINANCIAL REPORT**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

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# PLODZIK & SANDERSON

*Professional Association/Accountants & Auditors*

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## ***INDEPENDENT AUDITOR'S REPORT***

To the Members of the Board of Selectmen  
Town of New London  
New London, New Hampshire

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Town of New London, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified opinions.

### ***Basis for Adverse Opinion on Governmental Activities***

As discussed in Note 14 to the financial statements, management has not recorded the long-term costs of retirement health care costs and obligations for other postemployment benefits in the governmental activities. Accounting principles generally accepted in the United States of America require that those costs be recorded, which would increase the liabilities, decrease the net position, and increase the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses on the governmental activities is not readily determinable.

### ***Adverse Opinion***

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Governmental Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the government-wide financial statements of the Town of New London, as of June 30, 2016, or the changes in the financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Town of New London  
Independent Auditor's Report*

***Unmodified Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and aggregate remaining fund information of the Town of New London, as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparison for the major general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

**Required Supplementary Information** - Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the Town's Proportionate Share of Net Pension Liability, and the Schedule of Town Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information** - Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of New London's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual fund schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund schedules and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Report on Other Legal and Regulatory Requirements***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2017, on our consideration of the Town of New London's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of New London's internal control over financial reporting and compliance.

*Sheryl A. Pratt, CPA*

January 31, 2017

PLODZIK & SANDERSON  
Professional Association



# TOWN OF NEW LONDON, NEW HAMPSHIRE

375 MAIN STREET • NEW LONDON, NH 03257 • WWW.NL-NH.COM

## Management's Discussion & Analysis June 30, 2016

The Board of Selectmen and Town Administrator, as management of the Town of New London, offer readers of the Town's annual financial statements this narrative discussion and analysis of the financial activities of the Town of New London for the period ending June 30, 2016. The financial statements presented here include the 12-month period July 1, 2015 through June 30, 2016.

This discussion and analysis is prepared in accordance with the provisions of the Governmental Accounting Standards Board Statement No. 34 (GASB 34). We encourage readers to consider the information presented here in conjunction with additional information found within the body of the annual financial statements.

### **FINANCIAL HIGHLIGHTS**

The Town's total net position for the year ending June 30, 2016, was \$9,213,421 as compared to \$6,421,025, at the end of June 30, 2015. Net position increased by \$2,792,396, or 43% from June 30, 2015 to June 30, 2016.

As of June 30, 2016, the Town's total net position consisted of \$9,953,807 in net investment in capital assets, restricted net position of \$2,176,075, and unrestricted net position of -\$2,916,461. The Town's long-term obligations of \$9,312,978 consisted of \$5,842,492 in general obligation bonds/notes payable, \$38,444 in capital leases, \$182,529 in compensated absences payable, \$53,200 in accrued landfill post-closure care costs and \$3,196,313 in net pension liability.

During the period, the Town's expenses of \$6,689,234 were \$2,792,396 less than revenues. Revenues consisted of charges for services (\$1,077,444), operating grants and contributions (\$301,218), capital grants and contributions (\$2,034,045) and general revenues (\$6,068,923-primarily taxes, motor vehicle permit fees, state and federal grants and contributions, and miscellaneous revenues).

### **OVERVIEW OF FINANCIAL STATEMENTS**

The following is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise five components: government-wide financial statements; fund financial statements; notes to financial statements; required supplementary information; and this discussion and analysis. This report also contains other supplementary information in addition to the basic financial statements themselves.

The basic financial statements include two kinds of statements that present different views of the Town based upon measurement focus and basis of accounting. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Town, reporting the Town's operations in more detail than the government-wide statements. The governmental fund statements tell how the Town's services were financed in the short term as well as

|   |   |   |  |  |
|---|---|---|--|--|
| Board of Selectmen<br>P: 603-526-4821 x 10<br>F: 603-526-9494 | Town Administrator<br>P: 603-526-4821 x 13<br>F: 603-526-9494 | Town Clerk-Tax Collector<br>P: 603-526-4821 x 11<br>F: 603-526-9494 | Finance<br>P: 603-526-4821 x 21<br>F: 603-526-9494 | Assessing<br>P: 603-526-4821 x 20<br>F: 603-526-9494 |
| Planning/Zoning<br>P: 603-526-4821 x 16<br>F: 603-526-9494    | Fire Department<br>P: 603-526-6073<br>F: 603-526-6079         | Police Department<br>P: 603-526-2626<br>F: 603-526-2782             | Public Works<br>P: 603-526-6337<br>F: 603-526-9662 | Recreation<br>P: 603-526-6401<br>F: 603-526-9494     |

what remains for future spending. Fiduciary fund statements provide information about the financial relationships in which the Town acts solely as an agent for the benefit of others, to whom the resources belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business. The Statement of Net Position presents information on all assets, deferred outflows of resources, liabilities, (with the exception of the Town's other postemployment benefit liability which has been omitted) and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses (with the exception of other postemployment benefit which has been omitted) are reported in this statement for some items that only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation time).

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: Governmental Funds and Fiduciary Funds.

The General Fund, Elkins Sidewalk Capital Project and Permanent Fund are the major governmental funds, while five special revenue funds and three capital project funds are consolidated as Nonmajor Governmental funds. The Nonmajor funds are the Sewer Department, Conservation Commission, Capital Cost Recovery, Recreation, Recycling, Town Hall Building, Wastewater Treatment Plant and Highway Building Repair funds respectively. General Fund revenues and expenditures are compared to budget in the Statement of Revenues, Expenditures and Changes in Fund Balances. Fiduciary funds are agency funds which are used to benefit outside parties and cannot be used to support any of the Town's own programs.

Notes to Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information required by the Government Accounting Standards Board. Additional combining statements and individual fund schedules are presented immediately following the Notes to Financial Statements.

## ***GOVERNMENT-WIDE FINANCIAL ANALYSIS***

### **Change in Net Position**

The government-wide financial statements -- the Statement of Net Position (Exhibit A) and Statement of Activities (Exhibit B) -- provide a comprehensive summary of governmental activities. The Statement of Net Position may serve, over time, as a useful indicator of a government's financial position. Net

investment in capital assets is \$9,953,807. Restricted for permanent funds of \$2,176,075 are restricted by constraints imposed from outside the Town, such as cemetery or library trust funds. As of June 30, 2016, unrestricted net position of the Town is (\$2,916,461).

The Town's financial position is the product of several financial transactions including the net results of activities and payment of debt. A summary of long-term debt obligations can be found in the Notes to Financial Statements. Comparative Net Position for the periods ending June 30, 2016 and June 30, 2015 are shown below.

### *Comparative Net Position*

|                                      | FY2015        | FY 2016       | Amount<br>Change | %<br>Change |
|--------------------------------------|---------------|---------------|------------------|-------------|
| Total assets                         | \$25,592,671  | \$27,642,313  | \$2,049,642      | 8%          |
| Deferred outflows of resources       | 269,807       | 293,253       | \$23,446         | 8.6%        |
| Long-term liabilities outstanding:   | \$9,984,885   | \$9,312,978   | (\$671,907)      | -6.7%       |
| Other liabilities                    | \$6,836,293   | \$6,908,420   | \$72,127         | 1%          |
| Total liabilities                    | \$16,821,178  | \$16,221,398  | (\$599,780)      | -3.5%       |
| Deferred Inflows of Resources:       |               |               |                  |             |
| Unavailable revenue – Property taxes | \$2,157,763   | \$2,253,610   | \$95,847         | 4.4%        |
| Amounts related to pensions          | \$462,512     | \$247,137     | (\$215,375)      | -46.5%      |
| Total deferred inflows of resources  | \$2,620,275   | \$2,500,747   | 119,528          | 4.5%        |
| Net Position:                        |               |               |                  |             |
| Net investment in capital assets     | \$8,498,548   | \$9,953,807   | \$1,455,259      | 17.1%       |
| Restricted for permanent funds       | \$1,555,514   | \$2,176,075   | \$620,561        | 39.8%       |
| Unrestricted                         | (\$3,633,037) | (\$2,916,461) | \$716,576        | 19.7%       |
| Total Net Position                   | \$6,421,025   | \$9,213,421   | \$2,792,396      | 43.4%       |

### Statement of Activities

The Statement of Activities (Exhibit B) provides an important summary of overall expenditures and revenues for the fiscal year; it includes transactions from all funds. The Town's total expenses were \$6,689,234; total revenues were \$9,481,630, resulting in an increase of net position of \$2,792,396. The largest share of revenue, \$4,314,924 (about 45.5% of total revenues), was from property taxes. The Town's expenditures were largely for public safety (25.6%), highways & streets (22.3%), sanitation (13.2%) and general government (19.3%).

Program expenses decreased by \$210,934, or -3%, in FY2016 (the amounts are displayed in the table below).

The Town's largest source of program revenues, other than wastewater user fees or grants from the state or federal government, is the charge for dispatch services to our neighboring communities. In fiscal year 2016, New London collected \$150,260 in dispatch fees.

During the period, the Town's expenses were \$2,792,396 less than revenues generated for charges for services, operating grants or contributions, Capital grants and contributions and general revenues (including property taxes and local, state and federal grants and contributions not restricted to specific purposes).

*Comparative Statement of Changes in Activities*

| <b>Governmental activities:</b>      | <b>Fiscal Year<br/>Ending<br/>06/30/2015</b> | <b>Fiscal Year<br/>Ending<br/>06/30/2016</b> | <b>Amount of<br/>Change</b> | <b>%<br/>Change</b> |
|--------------------------------------|--|--|-----------------------------|---------------------|
| General Government                   | \$ 1,290,713                                 | \$1,294,910                                  | \$4,197                     | 0.3%                |
| Public Safety                        | 1,728,879                                    | 1,712,836                                    | (\$16,043)                  | -0.9%               |
| Highways & Streets                   | 1,451,995                                    | 1,491,764                                    | \$39,769                    | 2.7%                |
| Sanitation                           | 1,299,455                                    | 887,337                                      | (\$412,118)                 | -31.7%              |
| Health                               | 182,678                                      | 180,738                                      | (\$1,940)                   | -1.0%               |
| Welfare                              | 23,758                                       | 17,234                                       | (\$6,524)                   | -27.4%              |
| Culture & Recreation                 | 839,283                                      | 755,669                                      | (\$83,614)                  | -9.9%               |
| Conservation                         | 35,164                                       | 35,931                                       | \$767                       | 2.1%                |
| Interest on Long-Term Debt           | 48,243                                       | 312,815                                      | \$264,572                   | 548.4%              |
| <b>Total Governmental Activities</b> | <b>\$ 6,900,168</b>                          | <b>\$6,689,234</b>                           | <b>(\$210,934)</b>          | <b>-3%</b>          |

| <b>Program Revenues:</b>                                | <b>Fiscal Year<br/>Ending<br/>06/30/2015</b> | <b>Fiscal Year<br/>Ending<br/>06/30/2016</b> | <b>Amount of<br/>Change</b> | <b>%<br/>Change</b> |
|---|--|--|-----------------------------|---------------------|
| Charges for services                                    | \$ 1,096,588                                 | \$1,077,444                                  | (\$19,144)                  | -1.7%               |
| Operating grants & contributions                        | \$ 177,770                                   | \$301,218                                    | \$123,448                   | 69.4%               |
| Capital grants & contributions                          | \$36,805                                     | \$2,034,045                                  | \$1,997,240                 | 5,426.5%            |
| <b>General Revenues:</b>                                |  |  |                             |                     |
| Property taxes and other taxes                          | \$4,255,065                                  | \$4,501,402                                  | \$246,337                   | 5.7%                |
| Motor Vehicle Permit Fees                               | \$837,922                                    | \$889,010                                    | \$51,088                    | 6.0%                |
| Licenses & Other Fees                                   | \$128,806                                    | \$118,047                                    | (\$10,759)                  | -8.3%               |
| Grants & contributions not related to specific programs | \$221,577                                    | \$218,949                                    | (\$2,628)                   | -1.1%               |
| Miscellaneous   | \$256,739                                    | \$341,515                                    | \$84,776                    | 33.0%               |
| <b>Total Revenues</b>                                   | <b>\$ 7,011,272</b>                          | <b>\$9,481,630</b>                           | <b>\$2,470,358</b>          | <b>35.2%</b>        |

| <b>Change in Net Position</b>        | <b>Fiscal Year Ending<br/>06/30/2015</b> | <b>Fiscal Year Ending<br/>06/30/2016</b> |
|--------------------------------------|--|--|
| Net Position, Beginning, as restated | \$6,309,921                              | \$6,421,025                              |
| Net Position, Ending                 | <u>\$6,421,025</u>                       | <u>\$9,213,421</u>                       |
| Change in Net Position               | \$111,104                                | \$2,792,396                              |

**FUND FINANCIAL STATEMENTS**

**General Fund**

The Town of New London uses separate fund accounting for each of its funds to ensure compliance with finance-related legal requirements. Information from the fund accounting system is essential in managing budgets as the financial year progresses and is useful in assessing financial resource needs for future operation of the Town. The General Fund is what most people think of as “the budget” since it is the focal point of the Annual Town Meeting and largely supported by property taxes.

Schedules 1, 2, and 3 detail General Fund activity for FY2016. Budgeted revenues totaled \$6,899,668 and actual revenues equaled \$7,194,218, for a revenue surplus of \$294,550. Other than property taxes, the largest general revenue received by the Town of New London is from motor vehicles registrations and property taxes. In fiscal year 2016, the Town recognized \$4,314,924 in property taxes and \$889,010 in motor vehicle fees. The Town also receives revenue shared by the State of New Hampshire in the form of meals & rooms tax (\$218,949 in 2016) and highway block grant (\$137,528 in 2016).

Budgeted appropriations and encumbrances from prior year totaled \$7,663,154 while actual expenditures plus encumbered to subsequent year were \$7,309,260 leaving an unexpended balance of appropriations of \$353,894. This amount along with the revenue surplus make up the 2016 Budget surplus of \$648,444.

The following significant budgetary items are noted:

General Government: The General Government budget represents 16.4% of the total Town budget. Savings were realized in General government buildings due to the mild winter of 2016 and lower heating fuel prices. Legal expenses were greater than anticipated due to several tax abatement cases.

Public Safety: The Public Safety budget makes up 22.7% of the total budget. The Public Safety budget had significant savings in the Police Department due to the lower cost of gasoline. The Dispatch Department showed budget savings due to lower than anticipated personnel costs.

Highways & Streets: The Public Works Department comprises 18.6% of the total budget. There were savings in the Highway Department due to lower oil prices and the mild 2016 winter.

Recreation: The Recreation Department budget consists primarily of the Recreation Director’s salary and related expenses, the cost of operating the two public beaches and special events. The majority of recreation programs are paid by user fees and do not affect the tax rate.

The Budgetary unassigned fund balance of the General Fund at the end of fiscal year 2016 was \$1,502,433, which is an increase of \$149,944 over fiscal year 2015. Key factors in the unassigned fund balance are:

|   |                    |
|---|--------------------|
| Unassigned Fund Balance, as of June 30, 2015:                               | \$ 1,352,489       |
| FY2016 Revenues over budget estimates, including property tax (Schedule 1): | \$294,550          |
| FY2016 Appropriations not spent or encumbered (Schedule 2):                 | \$353,894          |
| Use of fund balance to offset the 2015-2016 tax rate (Schedule 1):          | <u>(\$498,500)</u> |
| Unassigned Fund Balance as of June 30, 2016:                                | \$1,502,433        |
| Difference FY2015 to FY2016:  | <u>\$149,944</u>   |

**Sewer Department**

The Sewer Department is operated as a Town department but is funded solely through sewer user fees. New London pumps their effluent to the Sunapee Wastewater Treatment Facility. New London’s portion of the Sunapee Plant’s operating expenses are based on flow and during FY2016 the New London Sewer Department paid 55.83% of the Sunapee Wastewater Treatment Facility expenses. The apportionment rate is reviewed every year.

***Nonmajor Governmental Funds***

Special Revenue Funds: The Town has five special revenue funds: the Sewer Department fund; a fund for donations made to the Conservation Commission; a fund for Capital Cost Recovery (primarily sewer betterment and related sewer-debt paid for by the users); and two revolving funds, one for Recreation Department programs and activities and one for Recycling. The Recycling Revolving Fund returns all but \$5,000 of revenue to the General Fund at the end of every fiscal year, and therefore there is never more than \$5,000 remaining in the fund at year-end.

Capital Project Funds: The Town has three Capital Project funds: Town Hall Building, Wastewater Treatment Plant and Highway Building Repairs fund.

Activity for the Nonmajor Governmental Funds are shown on Schedules 4 and 5. The Special Revenue Funds ended the year with the following fund balances:

|                         | <u>FY2015</u> | <u>FY2016</u> | <b>Change</b> | <b>% Change</b> |
|-------------------------|---------------|---------------|---------------|-----------------|
| Sewer Department        | \$1,081,488   | \$964,447     | (\$117,041)   | -10.8%          |
| Conservation Commission | \$13,091      | \$12,597      | (\$494)       | -3.7%           |
| Capital Cost Recovery   | \$16,682      | \$16,387      | (\$295)       | -1.7%           |
| Recreation              | \$43,157      | \$53,250      | \$10,093      | 23.3%           |
| Recycling               | \$5,000       | \$5,000       | \$0           | 0.0%            |

The Capital Project Funds ended the year with the following balances:

|                            | <u>FY2015</u> | <u>FY2016</u> | <b>Change</b> | <b>% Change</b> |
|----------------------------|---------------|---------------|---------------|-----------------|
| Wastewater Treatment Plant | \$172         | 0             | (\$172)       | -100%           |
| Town Hall Building         | 0             | \$22,026      | \$22,026      | 100%            |
| Highway Building Repairs   | 0             | 0             | 0             | 0%              |

**DEBT ADMINISTRATION**

**Long-Term Debt**

The Town has ten general obligation bond/notes payable issues outstanding. A schedule of these issuances can be found in the notes to the financial statements.

As of the close of fiscal year 2016, the Town has a \$5,842,492 liability for long-term bonds that reduces overall net position. Two notes were added during FY2016 totaling \$810,000, principal reductions of \$383,952 and loan forgiveness through the American Recovery and Reinvestment Act (ARRA) resulted in a total debt decrease of \$858,615. This does not mean that the Town has this entire payment requirement for next year; rather, \$413,143 of these obligations are due to be paid during the fiscal year ending June 30, 2017 (as shown on Exhibit A).

***Long Term Liabilities***

|  | <b><u>FY2015</u></b> | <b><u>FY2016</u></b> | <b><u>Change</u></b> | <b><u>% Change</u></b> |
|--|----------------------|----------------------|----------------------|------------------------|
| General Obligation Bonds/Notes payable   | \$6,701,107          | \$5,842,492          | (\$858,615)          | -12.8%                 |
| Capital Lease                            | 0                    | \$38,444             | \$38,444             | 100.0%                 |
| Compensated Absences                     | \$169,922            | \$182,529            | \$12,607             | 7.4%                   |
| Accrued Landfill Post-Closure Care Costs | \$45,200             | \$53,200             | \$8,000              | 17.6%                  |
| Net Pension Liability                    | \$3,068,656          | \$3,196,313          | \$127,657            | 4.2%                   |
| <b>Total</b>                             | <b>\$9,984,885</b>   | <b>\$9,312,978</b>   | <b>(\$671,907)</b>   | <b>-6.7%</b>           |

***FUTURE BUDGETARY IMPLICATIONS***

2016 Town Meeting approved the fiscal year operating budget from July 1, 2016-June 30, 2017. This budget is a 3.4% increase in appropriations over FY2016, not including Sewer, capital deposits or capital expenditures. Town Meeting also authorized the issuance of a \$460,000 loan for several Town projects including bridge replacement on Brookside Drive, sewer lagoon closures, GIS mapping project and a new salt/sand shed at the Highway Department. The loan proceeds of \$460,000 were received in FY2016.

2016 Town Meeting approved a lease/purchase agreement for a recreation van in the amount of \$42,500 to be paid over a term of sixty months.

***MANAGEMENT CONTACT***

This financial report is designed to provide a general overview of the Town’s finances for those with an interest in that subject. Questions concerning any of the information provided in this report, or requests for additional financial information, should be directed to: Town Administrator, Town of New London, 375 Main Street, New London, NH 03257 (phone: 603-526-4821 ext. 13/fax: 603-526-9494/e-mail: [townadmin@nl-nh.com](mailto:townadmin@nl-nh.com)).

***BASIC FINANCIAL STATEMENTS***

**EXHIBIT A**  
**TOWN OF NEW LONDON, NEW HAMPSHIRE**  
*Statement of Net Position*  
June 30, 2016

|   | Governmental<br>Activities |
|---|----------------------------|
| <b>ASSETS</b>                             |                            |
| Cash and cash equivalents                 | \$ 6,282,069               |
| Investments                               | 3,398,083                  |
| Taxes receivables                         | 5,226,150                  |
| Account receivables                       | 342,930                    |
| Intergovernmental receivable              | 538,217                    |
| Special assessments receivable            | 33,400                     |
| Capital assets:                           |                            |
| Land and construction in progress         | 5,015,974                  |
| Other capital assets, net of depreciation | 6,805,490                  |
| Total assets                              | 27,642,313                 |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>     |                            |
| Amounts related to pensions               | 293,253                    |
| <b>LIABILITIES</b>                        |                            |
| Accounts payable                          | 172,887                    |
| Accrued interest payable                  | 78,468                     |
| Intergovernmental payable                 | 6,657,065                  |
| Long-term liabilities:                    |                            |
| Due within one year                       | 465,576                    |
| Due in more than one year                 | 8,847,402                  |
| Total liabilities                         | 16,221,398                 |
| <b>DEFERRED INFLOWS OF RESOURCES</b>      |                            |
| Unavailable revenue - Property taxes      | 2,253,610                  |
| Amounts related to pensions               | 247,137                    |
| Total deferred inflows of resources       | 2,500,747                  |
| <b>NET POSITION</b>                       |                            |
| Net investment in capital assets          | 9,953,807                  |
| Restricted                                | 2,176,075                  |
| Unrestricted                              | (2,916,461)                |
| Total net position                        | \$ 9,213,421               |

The notes to the basic financial statements are an integral part of this statement.

**EXHIBIT B**  
**TOWN OF NEW LONDON, NEW HAMPSHIRE**  
*Statement of Activities*  
**For the Fiscal Year Ended June 30, 2016**

|  | Expenses            | Program Revenues           |  |  | Net (Expense)<br>Revenue and<br>Change In<br>Net Position |
|--|---------------------|----------------------------|--|--|---|
|  |                     | Charges<br>for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |   |
| General government   | \$ 1,294,910        | \$ 9,668                   | \$ -                                     | \$ -                                   | \$ (1,285,242)  |
| Public safety  | 1,712,836           | 159,022                    | 135,286                                  | -                                      | (1,418,528)   |
| Highways and streets   | 1,491,764           | -                          | 164,500                                  | 676,415                                | (650,849)   |
| Sanitation   | 887,337             | 793,339                    | 1,432                                    | 1,357,630                              | 1,265,064   |
| Health   | 180,738             | 453                        | -  | -                                      | (180,285)   |
| Welfare  | 17,234              | -                          | -  | -                                      | (17,234)  |
| Culture and recreation                                       | 755,669             | 114,962                    | -  | -                                      | (640,707)   |
| Conservation   | 35,931              | -                          | -  | -                                      | (35,931)  |
| Interest on long-term debt                                   | 312,815             | -                          | -  | -                                      | (312,815)   |
| Total governmental activities                                | <u>\$ 6,689,234</u> | <u>\$ 1,077,444</u>        | <u>\$ 301,218</u>                        | <u>\$ 2,034,045</u>                    | <u>(3,276,527)</u>  |
| General revenues:  |                     |                            |  |  |   |
| Taxes:   |                     |                            |  |  |   |
| Property   |                     |                            |  |  | 4,314,924   |
| Other  |                     |                            |  |  | 186,478   |
| Motor vehicle permit fees                                    |                     |                            |  |  | 889,010   |
| Licenses and other fees                                      |                     |                            |  |  | 118,047   |
| Grants and contributions not restricted to specific programs |                     |                            |  |  | 218,949   |
| Miscellaneous  |                     |                            |  |  | 341,515   |
| Total general revenues                                       |                     |                            |  |  | <u>6,068,923</u>  |
| Change in net position                                       |                     |                            |  |  | 2,792,396   |
| Net position, beginning                                      |                     |                            |  |  | 6,421,025   |
| Net position, ending   |                     |                            |  |  | <u>\$ 9,213,421</u>                                       |

The notes to the basic financial statements are an integral part of this statement.

**EXHIBIT C-1**  
**TOWN OF NEW LONDON, NEW HAMPSHIRE**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2016**

|  | General              | Elkins<br>Sidewalk<br>Capital Project | Permanent           | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|---------------------------------------|---------------------|--------------------------------|--------------------------------|
| <b>ASSETS</b>  |                      |                                       |                     |                                |                                |
| Cash and cash equivalents  | \$ 5,375,536         | \$ -                                  | \$ 156,852          | \$ 749,681                     | \$ 6,282,069                   |
| Investments  | 1,779,212            | -                                     | 1,521,681           | 97,190                         | 3,398,083                      |
| Taxes receivable   | 5,254,662            | -                                     | -                   | -                              | 5,254,662                      |
| Accounts receivable  | 22,835               | -                                     | -                   | 320,095                        | 342,930                        |
| Intergovernmental receivable   | 135,414              | 385,679                               | -                   | -                              | 521,093                        |
| Special assessments receivable   | -                    | -                                     | -                   | 33,400                         | 33,400                         |
| Interfund receivable   | 512,466              | 21,040                                | -                   | 68,851                         | 602,357                        |
| Total assets   | <u>\$ 13,080,125</u> | <u>\$ 406,719</u>                     | <u>\$ 1,678,533</u> | <u>\$ 1,269,217</u>            | <u>\$ 16,434,594</u>           |
| <b>LIABILITIES</b>   |                      |                                       |                     |                                |                                |
| Accounts payable   | \$ 99,435            | \$ -                                  | \$ -                | \$ 73,452                      | \$ 172,887                     |
| Intergovernmental payable  | 6,657,065            | -                                     | -                   | -                              | 6,657,065                      |
| Interfund payable  | 89,891               | 406,719                               | 13,689              | 92,058                         | 602,357                        |
| Total liabilities  | <u>6,846,391</u>     | <u>406,719</u>                        | <u>13,689</u>       | <u>165,510</u>                 | <u>7,432,309</u>               |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                   |                      |                                       |                     |                                |                                |
| Unavailable revenue - Property taxes                                   | 2,348,453            | -                                     | -                   | -                              | 2,348,453                      |
| Unavailable revenue - Special assessments                              | -                    | -                                     | -                   | 30,000                         | 30,000                         |
| Total deferred inflows of resources                                    | <u>2,348,453</u>     | <u>-</u>                              | <u>-</u>            | <u>30,000</u>                  | <u>2,378,453</u>               |
| <b>FUND BALANCES</b>   |                      |                                       |                     |                                |                                |
| Nonspendable   | -                    | -                                     | 1,497,094           | -                              | 1,497,094                      |
| Restricted   | 489,205              | -                                     | 167,750             | 1,015,457                      | 1,672,412                      |
| Committed  | 1,815,946            | -                                     | -                   | 58,250                         | 1,874,196                      |
| Assigned   | 144,028              | -                                     | -                   | -                              | 144,028                        |
| Unassigned   | 1,436,102            | -                                     | -                   | -                              | 1,436,102                      |
| Total fund balances  | <u>3,885,281</u>     | <u>-</u>                              | <u>1,664,844</u>    | <u>1,073,707</u>               | <u>6,623,832</u>               |
| Total liabilities, deferred inflows<br>of resources, and fund balances | <u>\$ 13,080,125</u> | <u>\$ 406,719</u>                     | <u>\$ 1,678,533</u> | <u>\$ 1,269,217</u>            | <u>\$ 16,434,594</u>           |

The notes to the basic financial statements are an integral part of this statement.

*EXHIBIT C-2*  
**TOWN OF NEW LONDON, NEW HAMPSHIRE**  
*Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position*  
*June 30, 2016*

|  |                    |                            |
|--|--------------------|----------------------------|
| Total fund balances of governmental funds (Exhibit C-1)  |                    | \$ 6,623,832               |
| Amounts reported for governmental activities in the Statement of Net Position are different because:   |                    |                            |
| Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.                                  |                    |                            |
| Cost   | \$ 17,324,777      |                            |
| Less accumulated depreciation  | <u>(5,503,313)</u> | 11,821,464                 |
| Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.   |                    |                            |
| Receivables  | \$ (602,357)       |                            |
| Payables   | <u>602,357</u>     | -                          |
| Long-term assets not available to pay for current period expenditures are not reported in the governmental funds.                                      |                    |                            |
| Long-term intergovernmental receivable   |                    | 17,124                     |
| Property taxes are recognized on an accrual basis in the Statement of Net Position and on a modified accrual basis in the governmental funds.          |                    |                            |
| Deferred inflows of resources - property taxes   | \$ 94,843          |                            |
| Allowance for uncollectible property taxes   | <u>(28,512)</u>    | 66,331                     |
| Special assessments to pay long-term debt are unavailable in the governmental funds.   |                    |                            |
|  |                    | 30,000                     |
| Certain resources are not considered current financial resources in the governmental funds, but instead are reported in the Statement of Net Position. |                    |                            |
| Deferred outflow of resources related to pensions  | \$ 293,253         |                            |
| Deferred inflows of resources related to pensions  | <u>(247,137)</u>   | 46,116                     |
| Interest on long-term debt is not accrued in governmental funds.   |                    |                            |
| Accrued interest payable   |                    | (78,468)                   |
| Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.   |                    |                            |
| Bonds/notes  | \$ 5,842,492       |                            |
| Capital lease  | 38,444             |                            |
| Compensated absences   | 182,529            |                            |
| Accrued landfill postclosure care costs  | 53,200             |                            |
| Net pension liability  | <u>3,196,313</u>   | <u>(9,312,978)</u>         |
| Net position of governmental activities (Exhibit A)  |                    | <u><u>\$ 9,213,421</u></u> |

The notes to the basic financial statements are an integral part of this statement.

**EXHIBIT C-3**  
**TOWN OF NEW LONDON, NEW HAMPSHIRE**  
**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2016**

|  | General             | Elkins<br>Sidewalk<br>Capital Project | Permanent           | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|---------------------------------------|---------------------|--------------------------------|--------------------------------|
| <b>REVENUES</b>  |                     |                                       |                     |                                |                                |
| Taxes  | \$ 4,687,342        | \$ -                                  | \$ -                | \$ -                           | \$ 4,687,342                   |
| Licenses and permits   | 1,007,057           | -                                     | -                   | -                              | 1,007,057                      |
| Intergovernmental  | 518,735             | 676,415                               | -                   | 14,528                         | 1,209,678                      |
| Charges for services   | 188,094             | -                                     | -                   | 889,350                        | 1,077,444                      |
| Miscellaneous  | 187,589             | -                                     | 148,555             | 5,371                          | 341,515                        |
| Total revenues   | <u>6,588,817</u>    | <u>676,415</u>                        | <u>148,555</u>      | <u>909,249</u>                 | <u>8,323,036</u>               |
| <b>EXPENDITURES</b>  |                     |                                       |                     |                                |                                |
| Current:   |                     |                                       |                     |                                |                                |
| General government   | 1,190,004           | -                                     | 11,760              | 47,789                         | 1,249,553                      |
| Public safety  | 1,562,166           | -                                     | -                   | -                              | 1,562,166                      |
| Highways and streets   | 1,265,371           | -                                     | -                   | -                              | 1,265,371                      |
| Sanitation   | 364,313             | -                                     | -                   | 438,461                        | 802,774                        |
| Health   | 180,738             | -                                     | -                   | -                              | 180,738                        |
| Welfare  | 17,234              | -                                     | -                   | -                              | 17,234                         |
| Culture and recreation                                       | 667,578             | -                                     | -                   | 86,414                         | 753,992                        |
| Conservation   | 35,431              | -                                     | -                   | 500                            | 35,931                         |
| Debt service:  |                     |                                       |                     |                                |                                |
| Principal  | 286,827             | -                                     | -                   | 97,126                         | 383,953                        |
| Interest   | 88,048              | -                                     | -                   | 94,171                         | 182,219                        |
| Capital outlay   | 1,190,684           | 1,017,357                             | -                   | 456,615                        | 2,664,656                      |
| Total expenditures   | <u>6,848,394</u>    | <u>1,017,357</u>                      | <u>11,760</u>       | <u>1,221,076</u>               | <u>9,098,587</u>               |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>(259,577)</u>    | <u>(340,942)</u>                      | <u>136,795</u>      | <u>(311,827)</u>               | <u>(775,551)</u>               |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                     |                                       |                     |                                |                                |
| Transfers in   | 219,700             | 340,942                               | -                   | 83,676                         | 644,318                        |
| Transfers out  | (409,293)           | -                                     | (27,293)            | (207,732)                      | (644,318)                      |
| Note proceeds  | 460,000             | -                                     | -                   | 350,000                        | 810,000                        |
| Capital lease  | 53,444              | -                                     | -                   | -                              | 53,444                         |
| Total other financing sources (uses)                         | <u>323,851</u>      | <u>340,942</u>                        | <u>(27,293)</u>     | <u>225,944</u>                 | <u>863,444</u>                 |
| Net change in fund balances                                  | 64,274              | -                                     | 109,502             | (85,883)                       | 87,893                         |
| Fund balances, beginning                                     | 3,821,007           | -                                     | 1,555,342           | 1,159,590                      | 6,535,939                      |
| Fund balances, ending  | <u>\$ 3,885,281</u> | <u>\$ -</u>                           | <u>\$ 1,664,844</u> | <u>\$ 1,073,707</u>            | <u>\$ 6,623,832</u>            |

The notes to the basic financial statements are an integral part of this statement.

**EXHIBIT C-4**  
**TOWN OF NEW LONDON, NEW HAMPSHIRE**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2016**

|   |                  |                     |
|---|------------------|---------------------|
| Net change in fund balances of governmental funds (Exhibit C-3)   |                  | \$ 87,893           |
| Amounts reported for governmental activities in the Statement of Activities are different because:  |                  |                     |
| Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period. |                  |                     |
| Capitalized capital outlay  | \$ 2,651,203     |                     |
| Depreciation expense  | <u>(599,164)</u> | 2,052,039           |
| The net effect of various disposals involving capital assets decreases the net book value of assets.  |                  |                     |
|   |                  | (1,600)             |
| Transfers in and out between governmental funds are eliminated on the Statement of Activities.  |                  |                     |
| Transfers in  | \$ (644,318)     |                     |
| Transfers out   | <u>644,318</u>   | -                   |
| The receipt of long-term state aid provides current financial resources to governmental funds, but has no effect on net position.   |                  |                     |
| Decrease in intergovernmental receivable  |                  | (11,208)            |
| Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.  |                  |                     |
| Change in deferred inflows - property taxes   | \$ (147,428)     |                     |
| Change in deferred inflows - betterment assessments   | (10,000)         |                     |
| Change in allowance for uncollectible property taxes  | <u>(28,512)</u>  | (185,940)           |
| Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expenses.  |                  |                     |
| Contributions subsequent to the measurement date  | \$ 293,253       |                     |
| Net pension expense   | <u>(182,089)</u> | 111,164             |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.                             |                  |                     |
| State revolving loan fund drawdowns   | \$ (72,968)      |                     |
| Notes issued  | (810,000)        |                     |
| Capital lease inception   | (53,444)         |                     |
| Repayment of bond principal   | 1,741,583        |                     |
| Repayment of capital lease  | <u>15,000</u>    | 820,171             |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.   |                  |                     |
| Increase in accrued interest expense  | \$ (59,516)      |                     |
| Increase in compensated absences payable  | (12,607)         |                     |
| Increase in accrued landfill postclosure care costs   | <u>(8,000)</u>   | (80,123)            |
| Changes in net position of governmental activities (Exhibit B)  |                  | <u>\$ 2,792,396</u> |

The notes to the basic financial statements are an integral part of this statement.

**EXHIBIT D**  
**TOWN OF NEW LONDON, NEW HAMPSHIRE**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance*  
*Budget and Actual (Non-GAAP Budgetary Basis)*  
**General Fund**  
**For the Fiscal Year Ended June 30, 2016**

|  | Budgeted Amounts    |                     | Actual              | Variance               |
|--|---------------------|---------------------|---------------------|------------------------|
|  | Original            | Final               |                     | Positive<br>(Negative) |
| <b>REVENUES</b>  |                     |                     |                     |                        |
| Taxes  | \$ 4,367,192        | \$ 4,367,192        | \$ 4,511,402        | \$ 144,210             |
| Licenses and permits   | 891,610             | 891,610             | 1,007,057           | 115,447                |
| Intergovernmental  | 353,239             | 488,525             | 518,735             | 30,210                 |
| Charges for services   | 193,436             | 193,436             | 169,203             | (24,233)               |
| Miscellaneous  | 74,877              | 114,877             | 142,718             | 27,841                 |
| Total revenues   | <u>5,880,354</u>    | <u>6,055,640</u>    | <u>6,349,115</u>    | <u>293,475</u>         |
| <b>EXPENDITURES</b>  |                     |                     |                     |                        |
| Current:   |                     |                     |                     |                        |
| General government   | 1,213,754           | 1,213,754           | 1,188,304           | 25,450                 |
| Public safety  | 1,682,018           | 1,682,018           | 1,572,195           | 109,823                |
| Highways and streets   | 1,379,227           | 1,379,227           | 1,307,989           | 71,238                 |
| Sanitation   | 403,668             | 403,668             | 359,313             | 44,355                 |
| Health   | 260,704             | 260,704             | 180,738             | 79,966                 |
| Welfare  | 22,631              | 22,631              | 17,234              | 5,397                  |
| Culture and recreation                                       | 610,531             | 165,331             | 165,118             | 213                    |
| Conservation   | 42,636              | 42,636              | 35,431              | 7,205                  |
| Debt service:  |                     |                     |                     |                        |
| Principal  | 293,559             | 293,559             | 286,827             | 6,732                  |
| Interest   | 92,502              | 92,502              | 88,048              | 4,454                  |
| Capital outlay   | 848,907             | 815,428             | 840,597             | (25,169)               |
| Total expenditures   | <u>6,850,137</u>    | <u>6,371,458</u>    | <u>6,041,794</u>    | <u>329,664</u>         |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>(969,783)</u>    | <u>(315,818)</u>    | <u>307,321</u>      | <u>623,139</u>         |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                     |                     |                     |                        |
| Transfers in   | 702,793             | 844,028             | 845,103             | 1,075                  |
| Transfers out  | (581,510)           | (1,026,710)         | (1,002,480)         | (24,230)               |
| Note proceeds  | 350,000             | -                   | -                   | -                      |
| Total other financing sources (uses)                         | <u>471,283</u>      | <u>(182,682)</u>    | <u>(157,377)</u>    | <u>(23,155)</u>        |
| Net change in fund balances                                  | <u>\$ (498,500)</u> | <u>\$ (498,500)</u> | 149,944             | <u>\$ 599,984</u>      |
| Unassigned fund balance, beginning                           |                     |                     | <u>1,352,489</u>    |                        |
| Unassigned fund balance, ending                              |                     |                     | <u>\$ 1,502,433</u> |                        |

The notes to the basic financial statements are an integral part of this statement.

**EXHIBIT E-1**  
**TOWN OF NEW LONDON, NEW HAMPSHIRE**  
**Fiduciary Funds**  
**Statement of Net Position**  
**June 30, 2016**

|                           | Private<br>Purpose<br>Trust | Agency           |
|---------------------------|-----------------------------|------------------|
| <b>ASSETS</b>             |                             |                  |
| Cash and cash equivalents | \$ 8,687                    | \$ 53,084        |
| Investments               | 65,008                      | 1,265,705        |
| Total assets              | <u>73,695</u>               | <u>1,318,789</u> |
| <b>LIABILITIES</b>        |                             |                  |
| Accounts payable          | -                           | 2,324            |
| Intergovernmental payable | -                           | 1,316,465        |
| Total liabilities         | <u>-</u>                    | <u>1,318,789</u> |
| <b>NET POSITION</b>       | <u>\$ 73,695</u>            | <u>\$ -</u>      |

The notes to the basic financial statements are an integral part of this statement.

**EXHIBIT E-2**  
**TOWN OF NEW LONDON, NEW HAMPSHIRE**  
**Fiduciary Funds**  
**Statement of Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2016**

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|                         | Private<br>Purpose<br>Trust |
|-------------------------|-----------------------------|
| <b>ADDITIONS</b>        |                             |
| New funds               | \$ 21,913                   |
| Interest                | 135                         |
| Total additions         | 22,048                      |
| <b>DEDUCTIONS</b>       |                             |
| Scholarships            | 15,997                      |
| Change in net position  | 6,051                       |
| Net position, beginning | 67,644                      |
| Net position, ending    | \$ 73,695                   |

The notes to the basic financial statements are an integral part of this statement.

**TOWN OF NEW LONDON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Town of New London, New Hampshire (the Town), have been prepared in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The more significant of the Town's accounting policies are described below.

***1-A Reporting Entity***

The Town of New London is a municipal corporation governed by an elected 3-member Board of Selectmen. In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The Town has no component units to include in its reporting entity.

***1-B Government-wide and Fund Financial Statements***

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Net Position presents the financial position of the governmental activities of the Town at year-end. This statement includes all of the Town's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, with the exception of the long term costs of retirement, health care, and obligations for other postemployment benefits which have been omitted because the liability and expense have not been determined.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. As in the Statement of Net Position mentioned above, the Town has not recorded the other postemployment benefit expense in this statement.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

***1-C Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for State shared revenue, reimbursement-based grants and interest which use one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service

**TOWN OF NEW LONDON, NEW HAMPSHIRE**  
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expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlement, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Town must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, deferred inflows/outflows, and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Town reports the following major governmental funds:

**General Fund** – all general revenues and other receipts that are not allocated by law or contracted agreement to another fund are accounted for in this fund. This fund accounts for general operating expenditures, fixed charges, and the capital improvement costs that are not reported in other funds.

**Elkins Sidewalk Capital Project Fund** – accounts for the activity pertaining to the construction/renovation of the Elkins area sidewalk.

**Permanent Funds** – are held in the custody of the Trustees of Trust Funds and are used to account for resources held in trust for use by the Town for cemetery operations.

All the governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

Additionally, the Town reports the following fund types:

**Special Revenue Funds** - are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**Fiduciary Funds** – The Town also reports the following fiduciary funds:

**Private Purpose Trust Fund** – accounts for money left for the benefit of students in Town.

**Agency Fund** - used to account for assets held in a trustee or agency capacity on behalf of outside parties, including other governments.

### ***1-D Cash and Cash Equivalents***

The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts.

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383:22. Funds may be deposited in banks outside of the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations to the State of New Hampshire in value at least equal to the amount of the deposit in each case.

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**1-E Investments**

State statutes place certain limitations on the nature of deposits and investments available as follows:

New Hampshire law authorizes the Town to invest in the following type of obligations:

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,
- Savings bank deposits,
- Certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the State treasurer.

Any person who directly or indirectly receives any such funds or moneys for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the Town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

Investments for the Town are reported at fair value generally based on quoted market prices.

**1-F Receivables**

Receivables recorded in the financial statements represent amounts due to the Town at June 30. They are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. They consist primarily of taxes, billing for charges, and other user fees.

**1-G Property Taxes**

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year. Warrants for the year were issued on May 14, 2015 and November 26, 2015, and due on July, 1, 2015, October 1, 2015, January 2, 2016, and March 31, 2016. Interest accrues at a rate of 12% on bills outstanding after the due date and 18% on tax liens outstanding.

In connection with the setting of the tax rate, Town officials with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for tax abatement and refunds, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any reserve for uncollectable at year end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, Kearsarge Regional School District, New London-Springfield Water Precinct, and Merrimack County, which are remitted to these entities as required by law.

The Town net assessed valuation as of April 1, 2015 utilized in the setting of the tax rate was as follows:

|                                     |                  |
|-------------------------------------|------------------|
| For the New Hampshire education tax | \$ 1,101,285,061 |
| For all other taxes                 | \$ 1,111,872,661 |

The tax rates and amounts assessed for the year ended June 30, 2016 were as follows:

|                        | Per \$1,000<br>of Assessed<br>Valuation | Property<br>Taxes<br>Assessed |
|------------------------|---|-------------------------------|
| Municipal portion      | \$4.05                                  | \$ 4,493,733                  |
| School portion:        |   |                               |
| State of New Hampshire | \$2.37                                  | 2,611,893                     |
| Local                  | \$6.10                                  | 6,787,482                     |
| County portion         | \$2.93                                  | 3,260,232                     |
| Precinct portions:     |   |                               |
| New London-Springfield | \$0.98                                  | 372,405                       |
| Total                  |   | \$ 17,525,745                 |

**TOWN OF NEW LONDON, NEW HAMPSHIRE**  
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***1-H Interfund Activities***

Interfund activities are reported as follows:

***Interfund Receivables and Payables*** – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

***Interfund Transfers*** – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

***1-I Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. The amount reported for infrastructure includes only assets added since 1979.

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$10,000 and an estimated minimum useful life in excess of one year. As the Town constructs or acquires additional capital assets each year, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

|                                     | <u>Years</u> |
|-------------------------------------|--------------|
| <b>Capital Asset Classes:</b>       |              |
| Buildings and building improvements | 25-40        |
| Machinery, equipment, and vehicles  | 3-20         |
| Infrastructure                      | 20-50        |

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

***1-J Deferred Outflows/Inflows of Resources***

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

***1-K Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

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***1-L Compensated Absences***

The Town's policy allows certain employees to earn varying amounts of vacation based on the employee's length of employment. Upon separation from service, employees are paid in full for any accrued leave earned as set forth by personnel policy. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

***1-M Defined Benefit Pension Plan***

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* requires participating employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

The schedules prepared by New Hampshire Retirement System, and audited by the plan's independent auditors, require management to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature and uncertainty of these estimates, actual results could differ, and the differences may be material.

***1-N Net Position/Fund Balances***

***Government-wide Statements*** – Equity is classified as net position and displayed in three components:

- a) *Net investment in capital assets* – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.
- b) *Restricted net position* – Consists of net position with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) *Unrestricted net position* – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

***Fund Balance Classifications*** - The fund balance of governmental funds is reported in five categories based on the nature of any limitations requiring the use of resources for specific programs. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The classifications used in the Town's governmental fund financial statements are as follows:

***Nonspendable*** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form; or (b) are legally or contractually required to be maintained intact.

***Restricted*** – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

***Committed*** – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

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**Assigned** – This classification includes amounts that are constrained by the Town’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Selectmen through the budgetary process.

**Unassigned** – This classification includes the residual fund balance for the general fund.

When multiple net position/fund balance classifications are available for use, it is the government’s policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**2-A Budgetary Information**

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town’s operations. At its annual meeting, the Town adopts a budget for the current year for the general, capital projects and nonmajor sewer fund. Except as reconciled below, the budget was adopted on a basis consistent with US generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2016, \$498,500 of the beginning general fund unassigned fund balance was applied for this purpose.

**2-B Budgetary Reconciliation to GAAP Basis**

The Town employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis presents the actual results to provide a comparison with the budget. The major difference between the budgetary basis and GAAP basis is as follows:

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities, but represent budgetary accounting controls. Governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and commitments (encumbrances) for goods or services not received at year-end. Encumbrances are recorded to reserve a portion of fund balance in the governmental fund types for commitments for which no liability exists.

The following reconciles the general fund budgetary basis to the GAAP basis:

|   |                     |
|---|---------------------|
| Revenues and other financing sources:                                 |                     |
| Per Exhibit D (budgetary basis)                                       | \$ 7,194,218        |
| Adjustment:   |                     |
| Basis difference:   |                     |
| Inception of capital lease  | 53,444              |
| GASB Statement No. 54:  |                     |
| To record revenue of the blended funds                                | 63,762              |
| Net effect of transfers between blended funds                         | (887,403)           |
| Change in deferred tax revenue relating to 60-day revenue recognition | 147,428             |
| Change in allowance for uncollectible property taxes                  | 28,512              |
| Bond proceeds not recognized on budgetary basis                       | 460,000             |
| Transfers from trust funds not recognized on budgetary basis          | 262,000             |
| Per Exhibit C-3 (GAAP basis)  | <u>\$ 7,321,961</u> |

*(Continued)*

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**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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*Budgetary reconciliation to GAAP basis continued:*

|  |                     |
|--|---------------------|
| Expenditures and other financing uses:           |                     |
| Per Exhibit D (budgetary basis)                  | \$ 7,044,274        |
| Adjustment:                                      |                     |
| Basis differences:                               |                     |
| Encumbrances, beginning                          | 264,986             |
| Encumbrances, ending                             | (122,960)           |
| Inception of capital lease                       | 53,444              |
| GASB Statement No. 54:                           |                     |
| To record expenditures of the blended funds      | 449,016             |
| Net effect of transfers between blended funds    | (803,187)           |
| Expenditures not recognized on a budgetary basis | 372,114             |
| Per Exhibit C-3 (GAAP basis)                     | <u>\$ 7,257,687</u> |

**DETAILED NOTES ON ALL FUNDS**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

The Town's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held by the Town's agent in the Town's name. The FDIC currently insures the first \$250,000 of the Town's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by collateral. As of year-end, the carrying amount of the Town's deposits was \$6,343,840, of which \$1,312,006 represents money-market fund investments classified as cash equivalents. Bank balances totaled \$6,352,907.

Cash and cash equivalents reconciliation:

|  |                     |
|--|---------------------|
| Cash per Statement of Net Position (Exhibit A)                   | \$ 6,282,069        |
| Cash per Statement of Net Position-Fiduciary Funds (Exhibit E-1) | 61,771              |
| Total cash and cash equivalents                                  | <u>\$ 6,343,840</u> |

**NOTE 4 – INVESTMENTS**

Note 1-E describes statutory requirements covering the investment of the Town funds. The Town also maintains a portfolio of intermediate maturity investments that are reported at fair value, based on quoted market prices. The Town's fiscal agent or custodian provides the fair value of all intermediate maturity investments.

At June 30, 2016, this Town had the following investments and maturities:

|  | Fair Value          | Less Than 1<br>Year | 1-5 Years         | 6-10 Years  | Total               |
|--|---------------------|---------------------|-------------------|-------------|---------------------|
| Investments type:                            |                     |                     |                   |             |                     |
| Certificates of deposit                      | \$ -                | \$ 2,422,433        | \$ 139,975        | \$ -        | \$ 2,562,408        |
| Corporate bonds                              | -                   | -                   | 62,306            | -           | 62,306              |
| Equity exchange traded funds                 | 792,551             | -                   | -                 | -           | 792,551             |
| Fixed income exchange traded funds           | 365,670             | -                   | -                 | -           | 365,670             |
| Fixed income mutual funds                    | 324,991             | -                   | -                 | -           | 324,991             |
| New Hampshire Public Deposit Investment Pool | 620,970             | -                   | -                 | -           | 620,970             |
| Total fair value                             | <u>\$ 2,104,182</u> | <u>\$ 2,422,433</u> | <u>\$ 202,281</u> | <u>\$ -</u> | <u>\$ 4,728,896</u> |

**Interest Rate Risk** – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

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**Credit Risk** – The Town’s investment pool had the following credit risk structure at June 30, 2016:

| Investment Type  | Credit Rating* | Fair Value       | Percent of<br>Grand Total |
|------------------|----------------|------------------|---------------------------|
| Corporate bonds: |                |                  |                           |
| JP Morgan Chase  | A3             | \$ 25,098        | 40.28%                    |
| Wells Fargo      | A2             | 37,208           | 59.72%                    |
|                  | *Per Moody's   | <u>\$ 62,306</u> | <u>100.00%</u>            |

**Custodial Credit Risk** – This is the risk that in the event of the failure of the counterparty (e.g. broker/dealer) to honor a transaction, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**Concentration of Credit Risk** – The Town places no limit on the amount it may invest in any one issuer. More than 5% of the Town’s investments are in Safra National Bank of New York and Lake Sunapee Bank. These investments are 8% and 6% respectively, of the Town’s total investments.

Investment reconciliation:

|   |                     |
|---|---------------------|
| Investments per Statement of Net Position (Exhibit A)                   | \$ 3,398,083        |
| Investments per Statement of Net Position-Fiduciary Funds (Exhibit E-1) | 1,330,713           |
| Total investments   | <u>\$ 4,728,796</u> |

**NOTE 5 – TAXES RECEIVABLE**

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of June 30, 2016. The amount has been reduced by an allowance for an estimated uncollectible amount of \$28,512. Taxes receivable by year are as follows:

|   | As reported on:     |                     |
|---|---------------------|---------------------|
|   | Exhibit A           | Exhibit C-1         |
| Property:   |                     |                     |
| Levy of 2016                                      | \$ 5,174,032        | \$ 5,174,032        |
| Unredeemed (under tax lien):                      |                     |                     |
| Levy of 2015                                      | 28,781              | 28,781              |
| Levy of 2014                                      | 13,451              | 13,451              |
| Yield   | 298                 | 298                 |
| Land use change                                   | 38,100              | 38,100              |
| Less: allowance for estimated uncollectible taxes | (28,512)            | -                   |
| Net taxes receivable                              | <u>\$ 5,226,150</u> | <u>\$ 5,254,662</u> |

\*The allowance for uncollectible property taxes is not recognized under the modified accrual basis of accounting (Exhibit C-1 and C-3) due to the 60 day rule as explained in Note 1-C. However, the allowance is recognized under the full accrual basis of accounting (Exhibits A and B).

**NOTE 6 – OTHER RECEIVABLES**

Receivables at June 30, 2016, consisted of accounts (billings for police details, sewer, and other user charges) and intergovernmental amounts arising from grants. Receivables are recorded on the Town’s financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

In the other governmental funds, capital cost recovery fund, \$30,000 of the amount reported is not expected to be collected within the next year and is therefore, reported as unavailable.

**TOWN OF NEW LONDON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 7 – INTERFUND BALANCES AND TRANSFERS**

**Interfund Balances** - The composition of interfund balances as of June 30, 2016 is as follows:

| Receivable Fund                 | Payable Fund                    | Amount            |
|---------------------------------|---------------------------------|-------------------|
| General                         | Elkins Sidewalk Capital Project | \$ 406,719        |
|                                 | Permanent                       | 13,689            |
|                                 | Nonmajor                        | 92,058            |
| Elkins Sidewalk Capital Project | General                         | 21,040            |
| Nonmajor                        | General                         | 68,851            |
|                                 |                                 | <u>\$ 602,357</u> |

The outstanding balances among funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**Interfund Transfers** - The composition of interfund transfers for the year ended June 30, 2016 is as follows:

|                | Transfers In:     |                      |                  |                   |
|----------------|-------------------|----------------------|------------------|-------------------|
|                | Elkins Sidewalk   |                      |                  | Total             |
|                | General Fund      | Capital Project Fund | Nonmajor Funds   |                   |
| Transfers out: |                   |                      |                  |                   |
| General fund   | \$ -              | \$ 340,942           | \$ 68,351        | \$ 409,293        |
| Permanent fund | 27,293            | -                    | -                | 27,293            |
| Nonmajor funds | 192,407           | -                    | 15,325           | 207,732           |
| Total          | <u>\$ 219,700</u> | <u>\$ 340,942</u>    | <u>\$ 83,676</u> | <u>\$ 644,318</u> |

During the year, transfers are used to (1) move revenues from the fund with collection authority to the fund responsible for expenditure and (2) move general fund resources to provide an annual subsidy.

**NOTE 8 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2016 consisted of the following:

|  | Balance,<br>beginning | Additions        | Disposals        | Balance,<br>ending |
|--|-----------------------|------------------|------------------|--------------------|
| At cost:                                   |                       |                  |                  |                    |
| Not being depreciated:                     |                       |                  |                  |                    |
| Land                                       | \$ 3,476,844          | \$ 250,000       | \$ -             | \$ 3,726,844       |
| Construction in progress                   | 140,801               | 1,148,329        | -                | 1,289,130          |
| Total capital assets not being depreciated | <u>3,617,645</u>      | <u>1,398,329</u> | <u>-</u>         | <u>5,015,974</u>   |
| Being depreciated:                         |                       |                  |                  |                    |
| Buildings and building improvements        | 5,563,855             | 584,471          | (32,077)         | 6,116,249          |
| Machinery, equipment, and vehicles         | 4,406,478             | 668,403          | (162,423)        | 4,912,458          |
| Infrastructure                             | 1,280,096             | -                | -                | 1,280,096          |
| Total capital assets being depreciated     | <u>11,250,429</u>     | <u>1,252,874</u> | <u>(194,500)</u> | <u>12,308,803</u>  |
| Total all capital assets                   | <u>14,868,074</u>     | <u>2,651,203</u> | <u>(194,500)</u> | <u>17,324,777</u>  |

*(Continued)*

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Capital assets continued:

|  | Balance,<br>beginning | Additions           | Disposals         | Balance,<br>ending   |
|--|-----------------------|---------------------|-------------------|----------------------|
| Less accumulated depreciation:                   |                       |                     |                   |                      |
| Buildings and building improvements              | (2,168,539)           | (159,218)           | 30,477            | (2,297,280)          |
| Machinery, equipment, and vehicles               | (2,754,350)           | (386,342)           | 162,423           | (2,978,269)          |
| Infrastructure                                   | (174,160)             | (53,604)            | -                 | (227,764)            |
| Total accumulated depreciation                   | <u>(5,097,049)</u>    | <u>(599,164)</u>    | <u>192,900</u>    | <u>(5,503,313)</u>   |
| Net book value, capital assets being depreciated | 6,153,380             | 653,710             | (1,600)           | 6,805,490            |
| Net book value, all capital assets               | <u>\$ 9,771,025</u>   | <u>\$ 2,052,039</u> | <u>\$ (1,600)</u> | <u>\$ 11,821,464</u> |

Depreciation expense was charged to functions of the Town based on their usage of the related assets. The amounts allocated to each function are as follows:

|                            |                   |
|----------------------------|-------------------|
| General government         | \$ 108,557        |
| Public safety              | 203,669           |
| Highways and streets       | 179,149           |
| Sanitation                 | 50,803            |
| Culture and recreation     | 56,986            |
| Total depreciation expense | <u>\$ 599,164</u> |

**NOTE 9 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

Deferred outflows of resources of \$293,253 in the governmental activities at June 30, 2016 consists of amounts related to pensions, see Note 13.

Deferred inflows of resources are as follows:

|  | Governmental<br>Activities | General<br>Fund     | Nonmajor<br>Governmental<br>Funds |
|--|----------------------------|---------------------|-----------------------------------|
| Property tax revenue committed but not due until subsequent period         | \$ 2,253,610               | \$ 2,253,610        | \$ -                              |
| Amounts related to pensions, see Note 13                                   | 247,137                    | -                   | -                                 |
| Uncollected property tax balance 60 days subsequent to the fiscal year-end | -                          | 94,843 *            | -                                 |
| Betterment assessment collected in advance of eligible debt expenditures   | -                          | -                   | 30,000 *                          |
| Total deferred inflows of resources  | <u>\$ 2,500,747</u>        | <u>\$ 2,348,453</u> | <u>\$ 30,000</u>                  |

\*The following balances are only recognized on a modified accrual basis of accounting.

**NOTE 10 – INTERGOVERNMENTAL PAYABLES**

Amounts due to other governments of \$7,973,530 at June 30, 2016 consist of the following:

|   |                     |
|---|---------------------|
| General fund:   |                     |
| Balance of 2016-2017 district assessment due to Kearsarge Regional School District                | \$ 4,713,792        |
| Balance of 2016-2017 property tax commitment due to the New London-Springfield Water Precinct     | 285,065             |
| Balance of 2016-2017 property tax commitment due to Merrimack County                              | 1,635,008           |
| Town clerk fees due to the State of New Hampshire   | 3,215               |
| Other miscellaneous items   | 19,985              |
| Total intergovernmental payables in the general fund  | <u>\$ 6,657,065</u> |
| Agency fund:  |                     |
| Balance of the Kearsarge Regional School District trust funds held by the Trustees of Trust Funds | <u>\$ 1,316,465</u> |

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**NOTE 11 – CAPITAL LEASE**

The Town has entered into a capital lease agreement under which the related equipment will become the property of the Town when all the terms of the lease agreement is met.

|                            | Standard<br>Interest<br>Rate | Present Value<br>of Remaining<br>Payments as of<br>June 30, 2016 |
|----------------------------|------------------------------|--|
| Capital lease obligations: |                              |  |
| Transit bus                | 4.00%                        | \$ 38,444  |

Leased equipment under capital leases, included in capital assets, is as follows:

|                                | Governmental<br>Activities |
|--------------------------------|----------------------------|
| Vehicle:                       |                            |
| Transit bus                    | \$ 53,444                  |
| Less: accumulated depreciation | 8,907                      |
| Total capital lease equipment  | \$ 44,537                  |

The annual requirements to amortize the capital lease payable as of June 30, 2016, including interest payments, are as follows:

| Fiscal Year Ending<br>June 30,      | Governmental<br>Activities |
|-------------------------------------|----------------------------|
| 2017                                | \$ 8,496                   |
| 2018                                | 8,496                      |
| 2019                                | 8,496                      |
| 2020                                | 8,496                      |
| 2021                                | 8,496                      |
| Total requirements                  | 42,480                     |
| Less: interest                      | 4,036                      |
| Present value of remaining payments | \$ 38,444                  |

Amortization of lease equipment under capital assets is included with depreciation expense.

**NOTE 12 – LONG-TERM LIABILITIES**

Changes in the Town's long-term liabilities consisted of the following for the year ended June 30, 2016:

|   | Balance<br>July 1,<br>2015 | Additions    | Reductions       | Balance<br>June 30,<br>2016 | Due Within<br>One Year |
|---|----------------------------|--------------|------------------|-----------------------------|------------------------|
| General obligation bonds/notes payable  | \$ 6,701,107               | \$ 882,968   | \$ (1,741,583) * | \$ 5,842,492                | \$ 413,143             |
| Capital leases                          | -                          | 53,444       | (15,000)         | 38,444                      | 7,087                  |
| Compensated absences                    | 169,922                    | 14,278       | (1,671)          | 182,529                     | 37,746                 |
| Accrued landfill postclosure care costs | 45,200                     | 8,000        | -                | 53,200                      | 7,600                  |
| Net pension liability                   | 3,068,656                  | 127,657      | -                | 3,196,313                   | -                      |
| Total long-term liabilities             | \$ 9,984,885               | \$ 1,086,347 | \$ (1,758,254)   | \$ 9,312,978                | \$ 465,576             |

**\*Water Pollution Control Revolving Loan Fund Program** – Included in the \$1,741,583 debt reduction is the one-time principal forgiveness received under the Water Pollution Control Revolving Loan Fund Program. The loan was consolidated by a promissory note in fiscal year 2016, upon substantial completion of the related project. Total loan amount of \$5,501,598, included drawdowns of \$5,430,518 and \$71,080 of interest capitalized into the loan. Of the total loan, 25% of the drawdowns (\$1,357,630) were forgiven in the form of federal financial assistance.

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Long-term bonds/notes are comprised of the following:

|  | Original<br>Amount | Issue<br>Date | Maturity<br>Date | Interest<br>Rate % | Outstanding at<br>June 30,<br>2016 |
|--|--------------------|---------------|------------------|--------------------|------------------------------------|
| General obligation bonds/notes payable:      |                    |               |                  |                    |                                    |
| Town office renovations                      | \$ 1,000,000       | 1999          | 2020             | 4.5-5.25%          | \$ 290,000                         |
| Sewer line extension                         | \$ 250,000         | 1999          | 2019             | 4.5-5.25%          | 30,000                             |
| Town building improvements                   | \$ 877,940         | 2005          | 2025             | 3.72%              | 395,073                            |
| Land purchase                                | \$ 300,000         | 2007          | 2017             | 3.99%              | 30,000                             |
| Library repairs                              | \$ 197,000         | 2007          | 2017             | 3.99%              | 19,700                             |
| Landfill                                     | \$ 218,018         | 2007          | 2017             | 3.80%              | 18,108                             |
| Library repairs                              | \$ 370,000         | 2011          | 2027             | 2.60%              | 271,332                            |
| Water Pollution Control State Revolving Loan | \$ 5,501,598       | 2016          | 2035             | 2.55%              | 4,013,279                          |
| Academy building                             | \$ 350,000         | 2016          | 2025             | 1.95%              | 315,000                            |
| Multi-purpose                                | \$ 460,000         | 2016          | 2027             | 1.90%              | 460,000                            |
| Total  |                    |               |                  |                    | <u>\$ 5,842,492</u>                |

The annual requirements to amortize all general obligation bonds/notes outstanding as of June 30, 2016, including interest payments, are as follows:

| Fiscal Year Ending<br>June 30, | Principal           | Interest            | Total               |
|--------------------------------|---------------------|---------------------|---------------------|
| 2017                           | \$ 413,143          | \$ 151,521          | \$ 564,664          |
| 2018                           | 400,591             | 141,015             | 541,606             |
| 2019                           | 409,955             | 128,490             | 538,445             |
| 2020                           | 409,431             | 115,851             | 525,282             |
| 2021                           | 334,021             | 105,391             | 439,412             |
| 2022-2026                      | 1,664,265           | 396,967             | 2,061,232           |
| 2027-3031                      | 1,199,669           | 217,696             | 1,417,365           |
| 2032-2036                      | 1,011,417           | 65,342              | 1,076,759           |
| Totals                         | <u>\$ 5,842,492</u> | <u>\$ 1,322,273</u> | <u>\$ 7,164,765</u> |

All debt is general obligation debt of the Town, which is backed by its full faith and credit, and will be repaid from general governmental revenues.

**Accrued Landfill Postclosure Care Costs** – The Town ceased operating its landfill in prior years. Federal and State laws and regulations require that the Town place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site after closure. A liability is being recognized based on the future postclosure care costs that will be incurred. The recognition of these landfill postclosure care costs is based on the amount of the landfill used through the end of the year. The estimated liability for landfill postclosure care costs has a balance of \$53,200 as of June 30, 2016. The estimated total current cost of the landfill postclosure care (\$7,600) is based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of June 30, 2016. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

**NOTE 13 – DEFINED BENEFIT PENSION PLAN**

**Plan Description:** The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a

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contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers with in the State are eligible and required to participate in the Pension Plan. The System issues a publically available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

**Benefits Provided:** The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II. All assets are held in a single trust and available to pay retirement benefits to all members.

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC) multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the member attains 52.5 years of age by ¼ of 1% or age 60.

Members of both groups may qualify for vested deferred allowances, disability allowances and death benefit allowances, subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation and/or service.

**Contributions:** The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees are required to contribute 7% of earnable compensation. For fiscal year 2016, the Town contributed 26.38% for police, 29.16% for fire fighters, and 11.17% for all other employees. The contribution requirements for the fiscal years 2014, 2015, and 2016 were \$290,709, \$297,893, and \$319,932, respectively, which were paid in full in each year.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - At June 30, 2016 the Town reported a liability of \$3,196,313 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and Towns, actuarially determined. At June 30, 2015, the Town's proportion was .08068385% which was an decrease of .00106880% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of \$182,089. At June 30, 2016 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Changes in proportion   | \$ -                                 | \$ 91,572                           |
| Difference between expected and actual experience   | -                                    | 70,140                              |
| Net difference between projected and actual investment earnings on pension plan investments | -                                    | 85,425                              |
| Contributions subsequent to the measurement date  | 293,253                              | -                                   |
| Total   | <u>\$ 293,253</u>                    | <u>\$ 247,137</u>                   |

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The \$293,253 reported as deferred outflows of resources related to pensions results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Valuation<br>Fiscal Year Ending<br>June 30, |                     |
|---|---------------------|
| 2016  | \$ (85,092)         |
| 2017  | (85,092)            |
| 2018  | (85,092)            |
| 2019  | 17,734              |
| 2020  | (9,597)             |
| Totals                                      | <u>\$ (247,139)</u> |

**Actuarial Assumptions:** The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2015, using the following actuarial assumptions which, accordingly apply to 2015 measurements:

- Inflation: 3.0%
- Salary increases: 3.75- 5.8% average, including inflation
- Investment rate of return: 7.75% net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 mortality table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2005 – June 30, 2010.

**Long-term Rates of Return:** The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2015:

| Asset Class                      | Target<br>Allocation | Weighted average long-term<br>expected real rate of return<br><u>2015</u> |
|----------------------------------|----------------------|---|
| Large Cap Equities               | 22.50%               | 3.00%   |
| Small/Mid Cap Equities           | 7.50%                | 3.00%   |
| Total domestic equity            | <u>30.00%</u>        |   |
| Int'l Equities (unhedged)        | 13.00%               | 4.00%   |
| Emerging Int'l Equities          | 7.00%                | 6.00%   |
| Total international equity       | <u>20.00%</u>        |   |
| Core Bonds                       | 4.50%                | (0.70%)   |
| Short Duration                   | 2.50%                | (1.00%)   |
| Global Multi-Sector Fixed Income | 11.00%               | 0.28%   |
| Unrestrained Fixed Income        | 7.00%                | 0.16%   |
| Total fixed income               | <u>25.00%</u>        |   |
| Private equity                   | 5.00%                | 5.50%   |
| Private debt                     | 5.00%                | 4.50%   |
| Real estate                      | 10.00%               | 3.50%   |
| Opportunistic                    | 5.00%                | 2.75%   |
| Total alternative investments    | <u>25.00%</u>        |   |
| Total                            | <u>100.00%</u>       |   |

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**Discount Rate:** The discount rate used to measure the collective total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

**Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:** The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.75% as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current rate:

| Actuarial<br>Valuation<br>Date | 1% Decrease<br>6.75% | Current Single<br>Rate Assumption<br>7.75% | 1% Increase<br>8.75% |
|--------------------------------|----------------------|--|----------------------|
| June 30, 2015                  | \$ 4,207,530         | \$ 3,196,313                               | \$ 2,334,244         |
| June 30, 2014                  | \$ 4,041,919         | \$ 3,068,656                               | \$ 2,247,563         |
| June 30, 2013                  | \$ 4,619,760         | \$ 3,603,498                               | \$ 2,749,234         |

**Pension Plan Fiduciary Net Position:** Detailed information about the pension plan's fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan financial report.

**NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

The Town provides postemployment benefit options for health care to eligible retirees, terminated employees, and their dependents in accordance with the provisions of various employment contracts. The benefit levels, employee contributions, and employer contributions are governed by the Town's contractual agreements. Expenses for the cost of providing health insurance for currently enrolled retirees are recognized in general fund of the funds financial statements as payments are made.

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45, which was effective for the Town on January 1, 2009, requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported on the financial statements. The Town has not implemented GASB Statement No. 45 at June 30, 2016 or contracted with an actuarial firm to assist in evaluating the impact of this new standard on the Town. The amounts that should be recorded as the annual required contribution/OPEB cost and the net OPEB obligation are unknown.

**NOTE 15 – ENCUMBRANCES**

Encumbrances outstanding at June 30, 2016 are as follows:

|                      |                   |
|----------------------|-------------------|
| General fund:        |                   |
| General government   | \$ 800            |
| Public safety        | 31,400            |
| Highways and streets | 65,733            |
| Health               | 3,000             |
| Capital outlay       | 22,027            |
| Total encumbrances   | <u>\$ 122,960</u> |

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**NOTE 16 – STATE AID TO WATER POLLUTION PROJECTS**

Under New Hampshire RSA Chapter 486, the Town receives from the State of New Hampshire a percentage of the annual amortization charges on the original costs resulting from the acquisition and construction of sewage disposal facilities. At June 30, 2016 the Town is due to receive the following annual amounts to offset debt payments:

| Bonds Issued                          | Principal        | Interest        | Total            |
|---------------------------------------|------------------|-----------------|------------------|
| Edmunds Road Area Sewer               | \$ 8,874         | \$ 932          | \$ 9,806         |
| Georges Mill Pump Station Improvement | 8,250            | 405             | 8,655            |
| Total                                 | <u>\$ 17,124</u> | <u>\$ 1,337</u> | <u>\$ 18,461</u> |

**NOTE 17 – GOVERNMENTAL ACTIVITIES NET POSITION**

Governmental activities net position reported on the government-wide Statement of Net Position at June 30, 2016 include the following:

|   |                     |
|---|---------------------|
| Net investment in capital assets:         |                     |
| Net property, buildings, and equipment    | \$ 11,821,464       |
| Less:                                     |                     |
| General obligation bonds/notes payable    | (1,829,213)         |
| Capital lease payable                     | <u>(38,444)</u>     |
| Total net investment in capital assets    | <u>9,953,807</u>    |
| Restricted:                               |                     |
| Nonexpendable permanent funds (principal) | 1,497,094           |
| Expendable permanent funds (income)       | 167,750             |
| Library                                   | 139,319             |
| Bond proceeds                             | 349,886             |
| Capital project funds                     | <u>22,026</u>       |
| Total restricted                          | <u>2,176,075</u>    |
| Unrestricted                              | <u>(2,916,461)</u>  |
| Total net position                        | <u>\$ 9,213,421</u> |

**NOTE 18 – GOVERNMENTAL FUND BALANCES**

Governmental fund balances reported on the fund financial statements at June 30, 2016 include the following:

|                                 |                  |
|---------------------------------|------------------|
| <b>Nonspendable:</b>            |                  |
| Major fund:                     |                  |
| Permanent - principal balance   | \$ 1,497,094     |
| <b>Restricted:</b>              |                  |
| Major funds:                    |                  |
| General:                        |                  |
| Library fund                    | \$ 139,319       |
| Bond proceeds                   | 349,886          |
|                                 | <u>489,205</u>   |
| Permanent - income balance      | <u>167,750</u>   |
| Nonmajor funds:                 |                  |
| Sewer department                | 964,447          |
| Conservation commission         | 12,597           |
| Capital cost recovery           | 16,387           |
| Town hall building project fund | <u>22,026</u>    |
|                                 | <u>1,015,457</u> |
| Total restricted fund balance   | 1,672,412        |

*(Continued)*

**TOWN OF NEW LONDON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

*Governmental fund balances continued:*

|                                  |                  |                     |
|----------------------------------|------------------|---------------------|
| <b>Committed:</b>                |                  |                     |
| Major funds:                     |                  |                     |
| General:                         |                  |                     |
| Expendable trust                 | \$ 1,812,946     |                     |
| Non-lapsing appropriations       | <u>3,000</u>     |                     |
|                                  | <u>1,815,946</u> |                     |
| Nonmajor funds:                  |                  |                     |
| Recreation                       | 53,250           |                     |
| Recycling                        | <u>5,000</u>     |                     |
|                                  | <u>58,250</u>    |                     |
| Total committed fund balance     |                  | 1,874,196           |
| <b>Assigned:</b>                 |                  |                     |
| Major fund:                      |                  |                     |
| General:                         |                  |                     |
| Encumbrances                     | \$ 119,960       |                     |
| Contingency                      | <u>24,068</u>    |                     |
| Total assigned fund balance      |                  | 144,028             |
| <b>Unassigned:</b>               |                  |                     |
| Major fund:                      |                  |                     |
| General                          |                  | <u>1,436,102</u>    |
| Total governmental fund balances |                  | <u>\$ 6,623,832</u> |

**NOTE 19 – RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2016, the Town was a member of the Local Government Center Property-Liability Trust, LLC, and the New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs. These entities are considered a public entity risk pools, currently operating as common risk management and insurance programs for member Towns and cities.

The Local Government Center Property-Liability Trust, LLC, is a Trust organized to provide certain property and liability insurance coverages to member Towns, cities and other qualified political subdivisions of New Hampshire. As a member of the Local Government Center Property-Liability Trust, LLC, the Town shares in contributing to the cost of, and receiving benefits from, a self-insured pooled risk management program. The membership and coverage run from July 1 to June 30. The program maintains a self-insured retention above which it purchases reinsurance and excess insurance. This policy covers property, auto physical damage, crime, general liability, and public officials' liability subject to a \$1,000 deductible.

Contributions paid in fiscal year ending June 30, 2016, to be recorded as an insurance expenditure totaled \$83,804. There were no unpaid contributions for the year ended June 30, 2016.

The New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation Program is a pooled risk management program under RSAs 5-B and 281-A. Coverage was provided from July 1, 2015 to June 30, 2016 by Primex<sup>3</sup>, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The estimated net contribution from the Town of New London billed and paid for the year ended June 30, 2016 was \$48,646 for workers' compensation.

**NOTE 20 – CONTINGENT LIABILITIES**

There are various legal claims and suits pending against the Town which arose in the normal course of the governments activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the Town.

**TOWN OF NEW LONDON, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

The Town participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

**NOTE 21 – INTERGOVERNMENTAL AGREEMENT**

Pursuant to order of the New Hampshire Water Supply and Pollution Control Commission dated May 12, 1976 under the authority of RSA: 149, 149-B or RSA: 149-I, RSA: 53-A and any other revisions since that date, the Town has entered into an agreement with the Town of Sunapee. The Town of Sunapee owns, operates, and maintains a wastewater treatment facility in Sunapee, as well as the collection and transmission facilities that convey wastewater to the treatment facility. The Towns have agreed that the Town of New London will deliver its wastewaters to the existing Sunapee facilities for conveyance and treatment at the Town of Sunapee's wastewater treatment plant. Both parties have agreed upon provisions for sharing the costs of maintenance, operation, upgrade, and repair of the treatment plant contained in the most recent agreement signed by the Town of New London Board of Selectmen on October 9, 2012.

**NOTE 22 – SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through January 31, 2017, the date the June 30, 2016 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

***REQUIRED SUPPLEMENTARY INFORMATION***

**EXHIBIT F**  
**TOWN OF NEW LONDON, NEW HAMPSHIRE**  
*Schedule of the Town's Proportionate Share of Net Pension Liability*  
*New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For the Fiscal Year Ended June 30, 2016*

| Fiscal<br>Year | Valuation<br>Date | Town's<br>Proportion of Net<br>Pension Liability | Proportionate<br>Share of Net<br>Pension Liability | Covered<br>Payroll | Town Proportionate<br>Share of Net Pension<br>Liability as a Percentage<br>of Covered Payroll | Plan Fiduciary<br>Net Position<br>as a Percentage<br>of the Total<br>Pension Liability |
|----------------|-------------------|--|--|--------------------|---|--|
| June 30, 2016  | June 30, 2015     | 0.08068385%                                      | \$ 3,196,313                                       | \$ 1,958,428       | 163.21%   | 65.47%   |
| June 30, 2015  | June 30, 2014     | 0.08175265%                                      | \$ 3,068,656                                       | \$ 1,964,526       | 156.20%   | 59.81%   |
| June 30, 2014  | June 30, 2013     | 0.08372859%                                      | \$ 3,603,498                                       | \$ 1,942,187       | 185.54%   | 66.32%   |

The note to the required supplementary information is an integral part of this schedule.

**EXHIBIT G**  
**TOWN OF NEW LONDON, NEW HAMPSHIRE**  
*Schedule of Town Contributions*  
*New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For the Fiscal Year Ended June 30, 2016*

| Fiscal<br>Year | Valuation<br>Date | Contractually<br>Required<br>Contribution | Actual<br>Contribution | Contribution<br>Deficiency<br>(Excess) | Covered<br>Payroll | Contributions as<br>a Percentage of<br>Covered Payroll |
|----------------|-------------------|---|------------------------|--|--------------------|--|
| June 30, 2016  | June 30, 2015     | \$ 270,685                                | \$ 270,685             | \$ -                                   | \$ 1,958,428       | 13.82%   |
| June 30, 2015  | June 30, 2014     | \$ 265,225                                | \$ 265,225             | \$ -                                   | \$ 1,964,526       | 13.50%   |
| June 30, 2014  | June 30, 2013     | \$ 208,194                                | \$ 208,194             | \$ -                                   | \$ 1,942,187       | 10.72%   |

The note to the required supplementary information is an integral part of this schedule.

**TOWN OF NEW LONDON, NEW HAMPSHIRE**  
**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

***Schedule of the Town's Proportionate Share of Net Pension Liability & Schedule of Town Contributions***

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits F and G represent the actuarial determined costs associated with the Town's pension plan at June 30, 2016.

**Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2015:**

|                               |  |
|-------------------------------|--|
| Actuarial Cost Method         | Entry Age Normal   |
| Amortization Method           | Level Percentage-of-Payroll, Closed  |
| Remaining Amortization Period | 25 Years beginning July 1, 2015 (30 years beginning July 1, 2009)  |
| Asset Valuation Method        | 5-Year smooth market for funding purposes  |
| Price Inflation               | 3.0% per year  |
| Wage Inflation                | 3.75% per year   |
| Salary Increases              | 5.8% Average, including inflation  |
| Municipal Bond Rate           | 4.29% per year   |
| Investment Rate of Return     | 7.75% per year   |
| Retirement Age                | Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study of the period 2005-2010. |
| Mortality                     | RP-2000 mortality table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.                                   |

**Other Information:**

|       |  |
|-------|--|
| Notes | Contribution rates for Fiscal Year 2014 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC. |
|-------|--|

***COMBINING AND INDIVIDUAL FUND SCHEDULES***

*SCHEDULE 1*  
*TOWN OF NEW LONDON, NEW HAMPSHIRE*  
*Major General Fund*  
*Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended June 30, 2016*

|  | Estimated           | Actual              | Variance<br>Positive<br>(Negative) |
|--|---------------------|---------------------|------------------------------------|
| Taxes:   |                     |                     |                                    |
| Property   | \$ 4,274,192        | \$ 4,314,924        | \$ 40,732                          |
| Land use change  | 20,000              | 144,800             | 124,800                            |
| Yield  | 3,000               | 10,499              | 7,499                              |
| Interest and penalties on taxes                                  | 70,000              | 41,179              | (28,821)                           |
| Total from taxes   | <u>4,367,192</u>    | <u>4,511,402</u>    | <u>144,210</u>                     |
| Licenses, permits, and fees:                                     |                     |                     |                                    |
| Business licenses, permits, and fees                             | 42,110              | 40,553              | (1,557)                            |
| Motor vehicle permit fees  | 778,200             | 889,010             | 110,810                            |
| Other  | 71,300              | 77,494              | 6,194                              |
| Total from licenses, permits, and fees                           | <u>891,610</u>      | <u>1,007,057</u>    | <u>115,447</u>                     |
| Intergovernmental:   |                     |                     |                                    |
| State:   |                     |                     |                                    |
| Meals and rooms distribution                                     | 218,949             | 218,949             | -                                  |
| Highway block grant  | 134,290             | 137,528             | 3,238                              |
| Federal:   |                     |                     |                                    |
| Other  | 135,286             | 162,258             | 26,972                             |
| Total from intergovernmental                                     | <u>488,525</u>      | <u>518,735</u>      | <u>30,210</u>                      |
| Charges for services:  |                     |                     |                                    |
| Income from departments  | <u>193,436</u>      | <u>169,203</u>      | <u>(24,233)</u>                    |
| Miscellaneous:   |                     |                     |                                    |
| Sale of municipal property                                       | 3,900               | 29,008              | 25,108                             |
| Interest on investments  | 2,000               | 3,271               | 1,271                              |
| Rent of property   | 16,210              | 16,666              | 456                                |
| Fines and forfeits   | 5,800               | 7,980               | 2,180                              |
| Insurance dividends and reimbursements                           | 36,967              | 34,506              | (2,461)                            |
| Contributions and donations                                      | 50,000              | 51,287              | 1,287                              |
| Total from miscellaneous   | <u>114,877</u>      | <u>142,718</u>      | <u>27,841</u>                      |
| Other financing sources:   |                     |                     |                                    |
| Transfers in   | <u>844,028</u>      | <u>845,103</u>      | <u>1,075</u>                       |
| Total revenues and other financing sources                       | 6,899,668           | <u>\$ 7,194,218</u> | <u>\$ 294,550</u>                  |
| Unassigned fund balance used to reduce tax rate                  | 498,500             |                     |                                    |
| Total revenues, other financing sources, and use of fund balance | <u>\$ 7,398,168</u> |                     |                                    |

**SCHEDULE 2**  
**TOWN OF NEW LONDON, NEW HAMPSHIRE**  
**Major General Fund**  
*Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)*  
**For the Fiscal Year Ended June 30, 2016**

|                                       | Encumbered<br>from Prior<br>Year | Appropriations   | Expenditures     | Encumbered<br>to Subsequent<br>Year | Variance<br>Positive<br>(Negative) |
|---------------------------------------|----------------------------------|------------------|------------------|-------------------------------------|------------------------------------|
| Current:                              |                                  |                  |                  |                                     |                                    |
| General government:                   |                                  |                  |                  |                                     |                                    |
| Executive                             | \$ -                             | \$ 274,538       | \$ 285,656       | \$ -                                | \$ (11,118)                        |
| Election and registration             | -                                | 70,219           | 69,983           | -                                   | 236                                |
| Financial administration              | -                                | 255,680          | 256,349          | -                                   | (669)                              |
| Revaluation of property               | -                                | 92,200           | 94,872           | -                                   | (2,672)                            |
| Legal                                 | -                                | 20,200           | 40,312           | -                                   | (20,112)                           |
| Personnel administration              | -                                | 92,640           | 65,581           | -                                   | 27,059                             |
| Planning and zoning                   | 2,500                            | 88,742           | 89,515           | -                                   | 1,727                              |
| General government buildings          | -                                | 185,280          | 154,830          | 800                                 | 29,650                             |
| Cemeteries                            | -                                | 24,837           | 23,692           | -                                   | 1,145                              |
| Insurance, not otherwise allocated    | -                                | 91,122           | 90,919           | -                                   | 203                                |
| Advertising and regional associations | -                                | 18,296           | 18,295           | -                                   | 1                                  |
| Total general government              | <u>2,500</u>                     | <u>1,213,754</u> | <u>1,190,004</u> | <u>800</u>                          | <u>25,450</u>                      |
| Public safety:                        |                                  |                  |                  |                                     |                                    |
| Police                                | 20,411                           | 963,735          | 923,848          | 8,309                               | 51,989                             |
| Fire                                  | -                                | 335,264          | 315,466          | -                                   | 19,798                             |
| Emergency management                  | -                                | 5,900            | 3,546            | -                                   | 2,354                              |
| Dispatching                           | 960                              | 377,119          | 319,306          | 23,091                              | 35,682                             |
| Total public safety                   | <u>21,371</u>                    | <u>1,682,018</u> | <u>1,562,166</u> | <u>31,400</u>                       | <u>109,823</u>                     |
| Highways and streets:                 |                                  |                  |                  |                                     |                                    |
| Public works garage                   | -                                | 869,227          | 824,090          | -                                   | 45,137                             |
| Highways and streets                  | 23,115                           | 494,000          | 423,569          | 45,058                              | 48,488                             |
| Street lighting                       | -                                | 16,000           | 17,712           | 20,675                              | (22,387)                           |
| Total highways and streets            | <u>23,115</u>                    | <u>1,379,227</u> | <u>1,265,371</u> | <u>65,733</u>                       | <u>71,238</u>                      |
| Sanitation:                           |                                  |                  |                  |                                     |                                    |
| Administration                        | 5,000                            | -                | -                | -                                   | 5,000                              |
| Solid waste disposal                  | -                                | 385,668          | 348,846          | -                                   | 36,822                             |
| Solid waste clean-up                  | -                                | 18,000           | 15,467           | -                                   | 2,533                              |
| Total sanitation                      | <u>5,000</u>                     | <u>403,668</u>   | <u>364,313</u>   | <u>-</u>                            | <u>44,355</u>                      |
| Health:                               |                                  |                  |                  |                                     |                                    |
| Administration                        | -                                | 5,329            | 4,139            | -                                   | 1,190                              |
| Health agencies                       | 3,000                            | 255,375          | 176,599          | 3,000                               | 78,776                             |
| Total health                          | <u>3,000</u>                     | <u>260,704</u>   | <u>180,738</u>   | <u>3,000</u>                        | <u>79,966</u>                      |
| Welfare:                              |                                  |                  |                  |                                     |                                    |
| Administration                        | -                                | 2,822            | 2,794            | -                                   | 28                                 |
| Intergovernmental welfare payments    | -                                | 3,809            | 3,809            | -                                   | -                                  |
| Vendor payments                       | -                                | 16,000           | 10,631           | -                                   | 5,369                              |
| Total welfare                         | <u>-</u>                         | <u>22,631</u>    | <u>17,234</u>    | <u>-</u>                            | <u>5,397</u>                       |
| Culture and recreation:               |                                  |                  |                  |                                     |                                    |
| Parks and recreation                  | -                                | 148,431          | 148,433          | -                                   | (2)                                |
| Library                               | -                                | 15,600           | 15,600           | -                                   | -                                  |
| Patriotic purposes                    | -                                | 300              | 300              | -                                   | -                                  |
| Other                                 | -                                | 1,000            | 785              | -                                   | 215                                |
| Total culture and recreation          | <u>-</u>                         | <u>165,331</u>   | <u>165,118</u>   | <u>-</u>                            | <u>213</u>                         |
| Conservation                          | -                                | 42,636           | 35,431           | -                                   | 7,205                              |

*(Continued)*

*SCHEDULE 2 (Continued)*  
**TOWN OF NEW LONDON, NEW HAMPSHIRE**  
*Major General Fund*  
*Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended June 30, 2016*

|   | Encumbered<br>from Prior<br>Year | Appropriations      | Expenditures        | Encumbered<br>to Subsequent<br>Year | Variance<br>Positive<br>(Negative) |
|---|----------------------------------|---------------------|---------------------|-------------------------------------|------------------------------------|
| Debt service:   |                                  |                     |                     |                                     |                                    |
| Principal of long-term debt   | -                                | 293,559             | 286,827             | -                                   | 6,732                              |
| Interest on long-term debt  | -                                | 92,501              | 88,048              | -                                   | 4,453                              |
| Interest on tax anticipation notes  | -                                | 1                   | -                   | -                                   | 1                                  |
| Total debt service  | -                                | 386,061             | 374,875             | -                                   | 11,186                             |
| Capital outlay  | -                                | 815,428             | 818,570             | 22,027                              | (25,169)                           |
| Other financing uses:   |                                  |                     |                     |                                     |                                    |
| Transfers out   | 210,000                          | 1,026,710           | 1,212,480           | -                                   | 24,230                             |
| Total appropriations, expenditures,<br>other financing uses, and encumbrances | <u>\$ 264,986</u>                | <u>\$ 7,398,168</u> | <u>\$ 7,186,300</u> | <u>\$ 122,960</u>                   | <u>\$ 353,894</u>                  |

**SCHEDULE 3**  
**TOWN OF NEW LONDON, NEW HAMPSHIRE**  
**Major General Fund**  
**Schedule of Changes in Unassigned Fund Balance**  
**For the Fiscal Year Ended June 30, 2016**

|  |                |                            |
|--|----------------|----------------------------|
| Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)  |                | \$ 1,352,489               |
| Changes:   |                |                            |
| Unassigned fund balance used to reduce 2016 tax rate   |                | (498,500)                  |
| 2015-2016 Budget summary:  |                |                            |
| Revenue surplus (Schedule 1)   | \$ 294,550     |                            |
| Unexpended balance of appropriations (Schedule 2)  | 353,894        |                            |
| 2015-2016 Budget surplus   | <u>648,444</u> | <u>648,444</u>             |
| Unassigned fund balance, ending (Non-GAAP Budgetary Basis) (Exhibit D)   |                | 1,502,433                  |
| <br><b>Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis:</b>   |                |                            |
| To comply with generally accepted accounting principles by deferring inflows of resources relating to property taxes not collected within 60 days of fiscal year-end |                | (94,843)                   |
| To remove allowance for uncollectible property taxes, not recognized on the modified accrual basis of accounting   |                | <u>28,512</u>              |
| Unassigned fund balance, ending (GAAP basis Exhibit C-1)   |                | <u><u>\$ 1,436,102</u></u> |

**SCHEDULE 4**  
**TOWN OF NEW LONDON, NEW HAMPSHIRE**  
*Nonmajor Governmental Funds*  
**Combining Balance Sheet**  
**June 30, 2016**

|   | Special Revenue Funds |                         |                       |           | Capital Project Funds |                            |                          |              |
|---|-----------------------|-------------------------|-----------------------|-----------|-----------------------|----------------------------|--------------------------|--------------|
|   | Sewer Department      | Conservation Commission | Capital Cost Recovery | Recycling | Town Hall Building    | Wastewater Treatment Plant | Highway Building Repairs | Total        |
| <b>ASSETS</b>   |                       |                         |                       |           |                       |                            |                          |              |
| Cash and cash equivalents   | \$ 628,894            | \$ 12,597               | \$ 12,940             | \$ 8,384  | \$ 22,026             | \$ -                       | \$ -                     | \$ 749,681   |
| Investments   | 97,143                | -                       | 47                    | -         | -                     | -                          | -                        | 97,190       |
| Accounts receivable   | 320,095               | -                       | -                     | -         | -                     | -                          | -                        | 320,095      |
| Special assessments receivable                                      | -                     | -                       | 33,400                | -         | -                     | -                          | -                        | 33,400       |
| Interfund receivable  | -                     | -                       | -                     | -         | -                     | -                          | 68,851                   | 68,851       |
| Total assets  | \$ 1,046,132          | \$ 12,597               | \$ 46,387             | \$ 8,384  | \$ 22,026             | \$ -                       | \$ 68,851                | \$ 1,269,217 |
| <b>LIABILITIES</b>  |                       |                         |                       |           |                       |                            |                          |              |
| Accounts payable  | \$ 73,452             | \$ -                    | \$ -                  | \$ -      | \$ -                  | \$ -                       | \$ -                     | \$ 73,452    |
| Interfund payable   | 8,233                 | -                       | -                     | 3,384     | -                     | -                          | 68,851                   | 92,058       |
| Total liabilities   | 81,685                | -                       | -                     | 3,384     | -                     | -                          | 68,851                   | 165,510      |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                |                       |                         |                       |           |                       |                            |                          |              |
| Unavailable revenue - Special assessments                           | -                     | -                       | 30,000                | -         | -                     | -                          | -                        | 30,000       |
| <b>FUND BALANCES</b>  |                       |                         |                       |           |                       |                            |                          |              |
| Restricted  | 964,447               | 12,597                  | 16,387                | -         | 22,026                | -                          | -                        | 1,015,457    |
| Committed   | -                     | -                       | -                     | 5,000     | -                     | -                          | -                        | 58,250       |
| Total fund balances   | 964,447               | 12,597                  | 16,387                | 5,000     | 22,026                | -                          | -                        | 1,073,707    |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 1,046,132          | \$ 12,597               | \$ 46,387             | \$ 8,384  | \$ 22,026             | \$ -                       | \$ 68,851                | \$ 1,269,217 |

**SCHEDULE 5**  
**TOWN OF NEW LONDON, NEW HAMPSHIRE**  
*Nonmajor Governmental Funds*  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2016**

|   | Special Revenue Funds |                         |                       |            |           | Capital Project Funds |                            |                          |      | Total        |
|---|-----------------------|-------------------------|-----------------------|------------|-----------|-----------------------|----------------------------|--------------------------|------|--------------|
|   | Sewer Department      | Conservation Commission | Capital Cost Recovery | Recreation | Recycling | Town Hall Building    | Wastewater Treatment Plant | Highway Building Repairs |      |              |
| <b>REVENUES</b>   |                       |                         |                       |            |           |                       |                            |                          |      |              |
| Intergovernmental   | \$ 9,061              | \$ -                    | \$ 3,579              | \$ -       | \$ -      | \$ -                  | \$ 1,888                   | \$ -                     | \$ - | \$ 14,528    |
| Charges for services                                      | 759,465               | -                       | 7,900                 | 96,071     | 25,914    | -                     | -                          | -                        | -    | 889,350      |
| Miscellaneous   | 4,856                 | 6                       | 64                    | 436        | 5         | -                     | 4                          | -                        | -    | 5,371        |
| Total revenues  | 773,382               | 6                       | 11,543                | 96,507     | 25,919    | -                     | 1,892                      | -                        | -    | 909,249      |
| <b>EXPENDITURES</b>                                       |                       |                         |                       |            |           |                       |                            |                          |      |              |
| Current:  |                       |                         |                       |            |           |                       |                            |                          |      |              |
| General government  | 47,789                | -                       | -                     | -          | -         | -                     | -                          | -                        | -    | 47,789       |
| Sanitation  | 415,926               | -                       | -                     | -          | 22,535    | -                     | -                          | -                        | -    | 438,461      |
| Culture and recreation                                    | -                     | -                       | -                     | 86,414     | -         | -                     | -                          | -                        | -    | 86,414       |
| Conservation  | -                     | 500                     | -                     | -          | -         | -                     | -                          | -                        | -    | 500          |
| Debt service:   |                       |                         |                       |            |           |                       |                            |                          |      |              |
| Principal   | 97,126                | -                       | -                     | -          | -         | -                     | -                          | -                        | -    | 97,126       |
| Interest  | 94,171                | -                       | -                     | -          | -         | -                     | -                          | -                        | -    | 94,171       |
| Capital outlay  | 54,739                | -                       | -                     | -          | -         | 327,974               | 5,551                      | 68,351                   | -    | 456,615      |
| Total expenditures  | 709,751               | 500                     | -                     | 86,414     | 22,535    | 327,974               | 5,551                      | 68,351                   | -    | 1,221,076    |
| Excess (deficiency) of revenues over (under) expenditures | 63,631                | (494)                   | 11,543                | 10,093     | 3,384     | (327,974)             | (3,659)                    | (68,351)                 | -    | (311,827)    |
| <b>OTHER FINANCING SOURCES (USES)</b>                     |                       |                         |                       |            |           |                       |                            |                          |      |              |
| Transfers in  | 11,838                | -                       | -                     | -          | -         | -                     | 3,487                      | 68,351                   | -    | 83,676       |
| Transfers out   | (192,510)             | -                       | (11,838)              | -          | (3,384)   | -                     | -                          | -                        | -    | (207,732)    |
| Note proceeds   | -                     | -                       | -                     | -          | -         | 350,000               | -                          | -                        | -    | 350,000      |
| Total other financing sources (uses)                      | (180,672)             | -                       | (11,838)              | -          | (3,384)   | 350,000               | 3,487                      | 68,351                   | -    | 225,944      |
| Net change in fund balances                               | (117,041)             | (494)                   | (295)                 | 10,093     | -         | 22,026                | (172)                      | -                        | -    | (85,883)     |
| Fund balances, beginning                                  | 1,081,488             | 13,091                  | 16,682                | 43,157     | 5,000     | -                     | 172                        | -                        | -    | 1,159,590    |
| Fund balances, ending                                     | \$ 964,447            | \$ 12,597               | \$ 16,387             | \$ 53,250  | \$ 5,000  | \$ 22,026             | \$ -                       | \$ -                     | \$ - | \$ 1,073,707 |

***SINGLE AUDIT ACT SCHEDULES  
AND INDEPENDENT AUDITOR'S REPORTS***



# PLODZIK & SANDERSON

*Professional Association/Accountants & Auditors*

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX-224-1380

## ***INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS***

To the Members of the Board of Selectmen  
Town of New London  
New London, New Hampshire

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of New London, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of New London's basic financial statements, and have issued our report thereon dated January 31, 2017. Our report on the financial statements of the governmental activities was adverse as indicated therein.

### ***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Town of New London's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of New London's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of New London's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Town of New London's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Sheryl A. Platt, CPA*

January 31, 2017

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## ***INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE***

To the Members of the Board of Selectmen  
Town of New London  
New London, New Hampshire

### ***Report on Compliance for Each Major Federal Program***

We have audited the Town of New London's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Town of New London's major federal program for the year ended June 30, 2016. The Town of New London's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Town of New London's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of New London's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Town of New London's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Town of New London complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

### ***Report on Internal Control over Compliance***

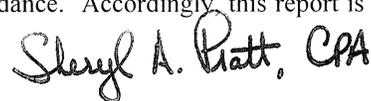
Management of the Town of New London is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of New London's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of New London's internal control over compliance.

*Town of New London  
Independent Auditor's Report on Compliance for Each Major Program and Report on Internal  
Control over Compliance Required by the Uniform Guidance*

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



January 31, 2017

PLODZIK & SANDERSON  
Professional Association



**SCHEDULE II**  
**TOWN OF NEW LONDON, NEW HAMPSHIRE**  
*Schedule of Expenditures of Federal Awards*  
*For the Fiscal Year Ended June 30, 2016*

| Federal Grantor/Pass-Through<br>Grantor/Program or Cluster Title                  | Federal<br>CFDA<br>Number | Pass-Through<br>Entity Identifying<br>Number | Passed<br>Through to<br>Subrecipients | Total<br>Federal<br>Expenditures |
|---|---------------------------|--|---------------------------------------|----------------------------------|
| <b>U.S. DEPARTMENT OF TRANSPORTATION</b>  |                           |  |                                       |                                  |
| Passed Through the State of New Hampshire<br>Department of Transportation         |                           |  |                                       |                                  |
| Highway Planning and Construction   | 20.205                    | 16051  | \$ -                                  | \$ 676,415                       |
| Passed Through the New Hampshire<br>Highway Safety Agency                         |                           |  |                                       |                                  |
| HIGHWAY SAFETY CLUSTER  |                           |  |                                       |                                  |
| State and Community Highway Safety:   |                           |  |                                       |                                  |
| New London Operation Safe Commute   | 20.600                    | 315-15B-015                                  | -                                     | 5,602                            |
| New London Enforcement Patrols  | 20.600                    | 315-15B-108                                  | -                                     | 4,465                            |
| New London STEP Patrols   | 20.600                    | 315-16B-053                                  | -                                     | 2,768                            |
| Alcohol Impaired Driving Countermeasures Incentive Grants I:                      |                           |  |                                       |                                  |
| New London Cops in Shops  | 20.601                    | 308-15B-047                                  | -                                     | 1,937                            |
| New London DWI/DUI Patrols  | 20.601                    | 308-15B-048                                  | -                                     | 4,947                            |
| New London DWI Patrols  | 20.601                    | 308-16B-007                                  | -                                     | 5,483                            |
| National Priority Safety Program  | 20.616                    | 308-16B-064                                  | -                                     | 1,770                            |
| <i>CLUSTER TOTAL</i>  |                           |  | -                                     | 26,972                           |
| <b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>                                       |                           |  |                                       |                                  |
| Passed Through the State of New Hampshire<br>Department of Environmental Services |                           |  |                                       |                                  |
| Capitalization Grants for Clean Water State Revolving Funds <i>(note 4)</i>       | 66.458                    | CS-330198-01                                 | -                                     | 1,567                            |
| <b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>                                       |                           |  |                                       |                                  |
| Passed Through the New Hampshire<br>Department of Safety                          |                           |  |                                       |                                  |
| Homeland Security Grant Program   | 97.067                    | N/A  | -                                     | 135,286                          |
| <b>Total Expenditures of Federal Awards</b>                                       |                           |  | <b>\$ -</b>                           | <b>\$ 840,240</b>                |

The accompanying notes are an integral part of this schedule.

**TOWN OF NEW LONDON, NEW HAMPSHIRE**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Town of New London under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of New London, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Town of New London.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**Note 3. Indirect Cost Rate**

The Town of New London has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 4. Loan Outstanding**

The Town of New London had the following loan balance outstanding at June 30, 2016. The loan made during the year is included in the federal expenditures presented in the Schedule.

| <i>CFDA Number</i> | <i>Program Name</i>  | <i>Outstanding<br/>Balance at<br/>June 30, 2016</i> |
|--------------------|--|---|
| 66.458             | Capitalization Grants for Clean<br>Water State Revolving Funds | \$3,331,022   |